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NEAR EAST & SOUTH ASIA

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IRAQI OPEC OFFICIAL DISCUSSES ORGANIZATION'S INEQUITIES, SUCCESSES

London AL-DUSTUR in Arabic 4 May 87 pp 28-30

[Interview with Dr Fadil al-Jalabi, OPEC deputy secretary general, by Ra'd Muhyi 'Arif: "OPEC's Production Decline has Not Been Distributed Equally among All"]

[Text] Contrary to many expectations which Western circles voiced throughout the world last year, that the Organization of Petroleum Exporting Countries (OPEC) was headed for the brink and no longer had the ability to control the market in the wake of the deterioration in prices, the organization has started to regain its strength and status again, following the latest decision to reduce production and support prices. It has been no secret to anyone that oil prices are affected not only by the volumes of supply and demand but that there also are numerous factors which play their part in this area, with respect to political developments in the producer and consumer countries and the international economic situation in general.

When OPEC declared its agreement last December, the oil markets experienced a noticeable rise in oil prices, when they went beyond \$18 after having got to \$7 a barrel last summer. Thus the OPEC organization proved that it is able to regain its control of the markets and regain its ability to lead the market instead of being led. As oil experts point out, if the organization really has been able to continue the commitment to the policy of discipline in production and prices which it has demonstrated in the past 3 months, it will be able to preserve the price it determines, and the period of the nineties might bring the OPEC organization back to the position of sole determinant of world energy prices.

Because of the importance of the period the world oil market is witnessing, we had this meeting with Dr Fadil al-Jalabi, who assumed many positions in oil before becoming deputy secretary general of OPEC and has been the acting secretary general since 1983, as the position has been vacant since that time.

AL-DUSTUR: Now that OPEC has recently established that it is able to control the prices of oil and control the market, a number of oil producing countries outside the organization have expressed their readiness to cooperate

with OPEC, except for Britain, which is still refusing to do so on the pretext that the government does not want to intervene in the affairs of the companies which are producing and marketing the oil. What is the effect of this cooperation on oil price stability?

Dr Fadil al-Jalabi: The cooperation of the producing countries outside the organization in reality has political significance which is more important than the real influence it possesses on the stability of the market in terms of the balance of supply and demand. The main reason is that the reduction of production on the part of these countries has been very limited in comparison with what OPEC has been doing. OPEC's actual production now is less than half its productive capacity. The organization's production in the first half of March was less than 14 million barrels a day, as compared with a productive capacity of more than 32 million barrels a day. Therefore, the drop in OPEC's production is the decisive factor in the improvement of prices, not the drop in production which some other countries such as Norway, Mexico, Oman, Egypt and Malaysia, the countries which have expressed their readiness to cooperate, had decreed, because their reduction of production does not exceed 5 percent and in the best of cases 7 percent of their maximum productive capacity. There are some countries whose production in spite of the reduction they set out in their production plans in 1987 is in fact higher this year than their production in 1986, such as Norway, for example.

Therefore these countries' contribution in terms of volume is not the decisive element in supporting market stability in comparison with what OPEC is doing, and there are countries inside OPEC which have borne a greater production reduction than others, such as Saudi Arabia and Qatar. It is well known that the production ceiling the organization has imposed on itself has been 15.8 million barrels a day, while actual production for the month of March was much less than that. That means that the organization as a supplementary producer in the world oil market must reduce production in order to keep the price stable. However, the important point regarding the readiness of these countries outside OPEC to reduce their production in itself represents a very important contribution from the political standpoint, since their participation means that these countries have started realizing that the stability of the market is a collective responsibility, not the responsibility of OPEC alone. For the first time, the producing countries outside OPEC have realized the gravity of their pre-1986 policies of increasing their production at the expense of OPEC, since price collapse will mean the collapse of their industry and will affect them more than OPEC, because their production costs are higher.

AL-DUSTUR: There is no doubt that the recent visits the Saudi minister of petroleum and mineral resources made to some oil countries, including the Soviet Union, which is considered the biggest oil producer in the world, and also the visits by oil ministers in the other member countries, are visits which are aimed at opening channels for the sake of further cooperation not just with the producing countries but also with the consuming countries. Is it possible to evaluate the latest meeting held in Luxembourg between OPEC and OAPEC and the European Common Market countries?

Dr Fadil al-Jalabi: The Luxembourg meeting was in fact the first to take place between OPEC and the European Common Market. This meeting occurred in

spite of the opposition of some members of the market to any meeting with OPEC as an organization. Some market countries were not content with this meeting between the OPEC countries and market representatives. This dissatisfaction may have been behind the absence of the representatives of some countries such as Britain. The British who participated in the meeting were employees of the agency of the market's secretariat in addition to some Britishers who participated as experts by special invitation and not as representatives of the government or the companies. This was labelled more a technical meeting than a political one. The market countries wondered in advance: Is dialogue with OPEC acceptable or not? The industrial countries have views which are at variance with OPEC and the International Energy Agency, which the United States and Britain head, stands in opposition to cooperation or dialogue with OPEC although some industrial countries prefer to build bridges with them. Nonetheless, the meeting was very positive and was a scientific, objective discussion far removed from political discussions or emotional debates, and we produced agreement on essential points, among them:

1. That the violent fluctuations in oil prices are not in the interests of the consumers or the producers either. This point was not the subject of agreement before.
2. In order to preserve the stability of the oil market there must be international cooperation in which the parties concerned with the stability of the market will share. The conference's concluding statement asserted this point, which is what OPEC has been calling for for years, that is, responsibility for the stability of the oil market is a joint international one, not a responsibility restricted to a specific group of producers, especially OPEC.
3. Energy problems require constant meeting among the parties concerned so that the subject may be understood. Therefore the concluding statement stressed the need to hold such meetings in an ongoing manner.
4. The conference stressed that the realization of fruitful international cooperation in the energy field requires the exchange of information, that is, that oil information must be available to all and must not be restricted to companies or governments as if it were secret. It is also necessary, to eliminate the effect of speculation and guesswork in the market, to exchange and publish information so that world public opinion will know what is going on in the market.
5. The important point is that theoreticians of energy affairs on the industrial side in reality were in agreement with the producers on many points regarding matters which in the past had been the object of dispute or ambiguity, including their agreement that oil prices were not responsible for inflation and unemployment in the industrial countries, that the causes of the problems of the Western economy may be attributed to other factors and that there has been much exaggeration concerning the influence of oil prices in the past. The other points which were the subject of ambiguity and dispute included the issue of the notion of the free oil market, because the Britishers always asserted that oil prices must be determined by market

factors and that while it is true that Britain is an oil producer and exporter, it is also an oil consumer and oil constitutes a small part of the British economy. Therefore they kept stating that if the prices of oil drop they will lose as producers and exporters but they will profit as consumers, since the British economy is improving and reviving with the drop in prices, while it has been proved in reality that this statement is not correct. Neither the British economy nor the Western economy in its entirety has been revived by the drop in oil prices, since prices dropped from \$28 per barrel in 1985 to less than \$10 in 1986, although that drop did not affect national income in the industrial countries by as much as one-tenth of 1 percent. Consequently, this sort of discussion is useful for portraying the truth, and we hope that such meetings will continue for this reason.

AL-DUSTUR: The fact is that the organization has always stressed a fair share of the market. At the latest conference, the organization sought recourse to reducing production in order to raise prices, but prices are still experiencing some fluctuation. How much time will they require in order to preserve a specific level? Do you expect that the organization's coming conference will extend the period of validity of the recent agreement?

Dr Fadil al-Jalabi: Low prices are in fact not in the interests of the industrial countries, whether they are oil producers like America and Britain or consumers. With respect to the United States, the high price is necessary if production and investment are to continue, since its petroleum reserves are limited. Therefore, the United States hopes that the price will always be higher than \$18 per barrel; in any case, \$18 is better for it than the 1986 prices, though they are aiming at more than that. With respect to Britain, the costs of investment there are high and the reserves are very limited, which requires the investment of tremendous sums, requiring that the oil price be high if high profits sufficient to finance these investments are to be realized, on the one hand; on the other the drop in prices is not in the interests of the other Western countries, because they can protect investments in alternate energy sources when prices are high. Therefore, everyone, be he a producer or consumer, wants price stability at relatively high levels. However, they are not prepared to reduce their production and they want OPEC to bear the burden of the sacrifice alone, and it must reduce production to protect the price which they themselves are benefitting from. The moment OPEC resolves to resort to the principle of competition in the market, the price will drop to \$5. OPEC has taken up the burden of being in practice the body which defends the price by reducing production. As to the extent to which this drop will continue, that is connected to numerous factors, such as stocks, the means of disposing of them and means of developing oil consumption. It is not easy to know how these factors will vary. The most important of these factors include oil stocks, since the industrial countries have large oil stocks. As these stocks are used, so will the demand for OPEC oil decline. The more the stocks increase, the greater will become the ability of the industrial countries to use the stocks when the market is weak, and consequently they will not buy from OPEC. Conversely, the more the stocks decline the more the price will improve because of the increase in the need to buy OPEC oil, and so forth.

AL-DUSTUR: Does OPEC have a specific policy for absorbing these stocks belonging to the industrial countries?

Dr Fadil al-Jalabi: One of the important results of the recent December agreement is embodied in OPEC's expression of its readiness to sacrifice production for the sake of holding price. That in itself is a factor which will lead to the absorption of the stocks. The more OPEC production declines, the more withdrawal from stocks will increase, and the more the stocks decrease the more there will be a possibility of improving the price.

There is a group of experts who believe that if the current state of OPEC production continues, the prices in the market will rise. That estimate is correct and logical. The more OPEC's production declines, the more prices will rise, because OPEC is the flexible supplementary producer and of course that requires adherence to the OPEC resolutions for periods which differ in nature. There is another point: it is true that OPEC's production has declined in its totality, but on looking at the shares of each of the countries we find that some countries have resources which prompt them to market their share in the market in full while there are other countries which cannot. The decline in OPEC's production is not distributed in an equal manner among everyone, because the export patterns of OPEC oil are not equal in all countries. A country like Venezuela has a great percentage in the form of refined oil products and it sells these products at the price of the products market, because OPEC does not price refined products but just prices crude oil. Also, some types of oil are not subject to OPEC pricing because they are of a very heavy grade and therefore are sold at the market price and not at a fixed price. Conversely, a country like Qatar does not have exports in the form of oil products but exports only crude oil.

Therefore Venezuela can sell all its share but when the market is shrinking Qatar finds difficulty with marketing. One should add many factors to that. Therefore we find that there are countries which bear a greater burden than others.

AL-DUSTUR: What is the role of the organization's secretariat general, as a body specializing in presenting indices to consumers and producers, as far as transacting in oil as a futures commodity goes?

Dr Fadil al-Jalabi: The essential point lies in the subject of the dialogue between producers and consumers and the extent to which consumer countries will abstain from their policies of intervening through tax and non-tax measures which they impose on oil consumption or imports, because the consumer countries, since the establishment of the International Energy Agency, have set out political goals whose purpose is to reduce reliance on OPEC oil and specifically on the oil of the Arab Gulf. This policy has been declared. For the purpose of realizing this policy, the industrial countries are sparing no effort in pursuing every means to realize this goal. These means include tax techniques. The price of gasoline which the citizen in the Western countries pays is high. Though the oil price has dropped by half, from \$28 per barrel, in addition to the drop in the costs of importing from Europe and Japan because of the drop in the dollar, since the total decline ranges from 60 to 70 percent per barrel, the gasoline price the consumer pays has not dropped, because of government intervention and tax policies in the consuming countries.

AL-DUSTUR: The minister of petroleum and mineral resources in the United Arab Emirates, Mani' Sa'id al-'Utaybah, stated some time ago that the price

differential committee would meet in March and the date was postponed to April, then cancelled. What is the reason for that?

Dr Fadil al-Jalabi: The latest conference set the level of the OPEC price at \$18 per barrel on a basket of seven crudes. It also resolved that the difference in price between the highest and lowest of the crudes would not exceed \$2.65 per barrel and determined the stipulation of prices for all other OPEC crudes which were not included in the basket in the light of the prices of the crudes in this basket, which is what are called the relative differentials of OPEC oil prices. The conference resolved to study these differentials from time to time and the notion of the meeting of the ministerial committee under the chairmanship of His Excellency Dr Mani' al-'Utaybah arose on that basis. However, it later was considered appropriate to postpone the meeting first of all because the issue is not one that requires it and then to give the market an opportunity to improve.

AL-DUSTUR: To what issues will the coming conference to be held in Vienna on 25 June address itself, in addition to the discussion of oil market developments?

Dr Fadil al-Jalabi: The things the conference will discuss alongside the issue of market stability include the issue of the choice of a secretary general for the organization. That position has been vacant for a number of years and some countries have sent their candidates.

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GHALI DISCUSSES RELATIONS WITH PLO IN INTERVIEW

PM280819 London AL-MAJALLAH in Arabic 20-26 May 87 p 11

[Interview with Egyptian Minister of State for Foreign Affairs Dr Butrus Ghali by Nura Fakhuri "during his short visit to Britain last week"]

[Excerpts] [Fakhuri] It appears that the crisis in Egyptian-palestinian relations has become the most important event following the recent PNC in Algiers. What has become of this crisis?

[Ghali] I would like to say that the crisis that broke out between the Egyptian Government and the PLO did not and will not affect Egypt's stand in relation to the Palestine problem. Egypt still supports the Palestinian people and struggles for its sake so that it will enable it to exercise its right to self-determination. Egypt still believes that there can be no solution for the Palestine problem without the PLO. A crisis did occur but, as was stated in the [official Egyptian] statement and in President Mubarak's May Day speech, it will not affect Egypt's assistance to the Palestine problem.

[Fakhuri] But it has definitely affected your relations with the PLO, the sole legitimate representative of the Palestinian people.

[Ghali] It did affect our relations with the PLO, but we hope to be able to contain this crisis in the future.

[Fakhuri] Dr Usamah al-Baz [director of presidential bureau for political affairs] said that an international conference could be held without Syria's presence. Can such a conference be held when Syria is a principal party to the conflict?

[Ghali] In fact what matters to us is to break the stalemate in the Palestine problem. The stalemate is not in the Palestinian people's interest nor is it in the interest of peace. The international conference is one of the means by which we can produce movement on the Palestine problem and so we support this conference. But as to whether this conference will include all the countries involved or only certain countries, is a problem that we will deal with later. What is important is that we should move and win the support of the major powers, that is, the United States and the EC,

the African countries, and the nonaligned countries so that we will find international common ground in support of convening an international conference. The problems you referred to will be discussed later. Many problems will develop as to whether Syria will attend or not and whether the PLO is represented or not and what form this representation should take.

The most important thing is that the breakthrough and the move which we achieved should continue. The resolutions adopted in Algiers have created new obstacles at a time when we should have carried on defending the idea of an international conference and marshalling world opinion in support of it by issuing resolutions supporting this conference. We should have continued contacts with the United States, Russia, France, and Britain so as to find common ground. If agreement on an international conference is reached, we will then go to the Arab countries that will participate. I did not say that Syria's participation or otherwise is a secondary matter.

[Fakhuri] Do you imagine that an international conference will be convened before the expiry of President Reagan's term?

[Ghali] We must work on this basis. The conference must be convened at the earliest date possible. This is the objective. I wish the conference would be held in the next few weeks, but I cannot say whether or not it will be convened during President Reagan's term.

[Fakhuri] The PLO as it stands now and under Yasir 'Arafat's chairmanship?

[Ghali] Of course, Yasir 'Arafat is the PLO chairman and he is responsible for it. Details of participation is the concern of the PLO as well as of the parties concerned.

[Fakhuri] It is said that the PLO will be the "victim" of the international conference.

[Ghali] We do not believe so. Indeed we believe that the PLO is the Palestinian people's representative and should take part in the international conference if we want this conference to succeed.

[Fakhuri] The PLO as it stands now and under Yasir 'Arafat's chairmanship?

[Ghali] Of course, Yasir 'Arafat is the PLO chairman and he is responsible for it. Details of participation is the concern of the PLO as well as of the parties concerned.

[Fakhuri] Supposing the Arab obstacles have been removed how will the Israeli obstacles be removed?

[Ghali] The contacts that took place between the Israeli Labor Party and the Egyptian Government have led to results, including Peres' announcement accepting the idea of an international conference. This in itself is a positive step and diplomatic contacts always aim at overcoming these obstacles.

[Fakhuri] What reasons will compel Israel, it being in the stronger position, to negotiate with the PLO on the grounds that the conference will be incomplete without the PLO's participation?

[Ghali] Negotiations are not with the PLO alone; indeed they are with the Arab world. There is a group in Israel which believes in peace and believes that Israel's interest lies in peace. It also believes in negotiation. Just as there is a group in the Arab world which believes in military confrontation there is also a group in Israel that also believes in such confrontation. Our policy is to back the group in Israel and the group within the Palestinian people and in the Arab countries that believe in negotiation and dialogue.

[Fakhuri] Is it possible that Egypt and Jordan will accept the representation of Palestinians at the international conference with Palestinian personalities from the West Bank and abroad and will this be acceptable to the Americans and the Israelis?

[Ghali] If the PLO accepts.

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CSO: 4500/110

WEEKLY VIEWS IMF AGREEMENT, ISLAMIC ECONOMY

PM271511 Cairo AL-SH'AB in Arabic 12 May 87 p 1, 2

[Chief Editor 'Abdil Husayn article: "The Islamicists and the Agreement with IMF"]

[Excerpts] The impotent government has finally succumbed to the conditions of the IMF and its backers. It has been announced that the Egyptian Government next Friday will submit the so-called "letter of intent" to the IMF board of directors. It is known that the board will authorize its chairman to act in the usual manner in this case. It was the IMF's officials who drafted the "economic reform" program and participated in all the maneuverings involved as well as in the pressures that have lead to the head of our government signing the letter of intent which incorporated the "reform". The IMF chairman [ra'is] will sign the so-called "support agreement" organizing the disbursement of the 300-million-dollar loan offered by the Fund so as to be compatible with the stages of implementing the reform program. If what is required is implemented within a particular stage then the money allotted to that stage will be paid but if the government hesitates then the Fund will withhold the payment allotted to it.

We have often pointed out to the danger involved in such a practice but in view what the government and its press are publishing these days we find it our duty to repeat the warning because what is happening these days is not the brilliant victory they claim it to be, but rather, in fact, a certain disaster.

Before going any further in this we would like to declare that all the talk about democracy will be meaningless and a mockery if the most critical decisions are made in the absence of our participation and if the most important information continues to be withheld from the Socialist Labor Party [SLP] and the other opposition parties. We now say this at the top of our voice on the occasion of the agreement with the IMF and the United States. This agreement will define our economic course for many years to come and will affect all our foreign, regional, and domestic policies.

We call upon the rulers to tell the people the truth about the nature of the predicament in which they have put our country and we tell them: Do not cheat the people and claim that what happened with the IMF today is different from what happened with Khedive Isma'il when he borrowed from foreign governments and banks. What is happening today is exactly the same as what happened during Al-sadat's era in 1977 before he went to Jerusalem. It is also the same as what happened at the time of Khedive Isma'il and during the British occupation of Egypt.

As for the direct effect of the agreement with the IMF and the creditors, these are well known. They have been explained by four of the most prominent economists (on page 3 of this issue). In the short term the market will experience a rising wave of price increases; people on low incomes will suffer and social injustices and differences in income will become even more acute. There is absolutely no doubt about this however you [government sources] may talk about stability.

However, we would like to concentrate on the more dangerous and long-term effects of the results. These results concern the question of national economy and Islamic renaissance. Economy, or the science of the utilization of resources, must be subjected to Islamic controls; it should be devoted to serving the homeland and all the sons of the nation and not just a handful of affluent and corrupt people. Do the IMF or the Americans intend to help us achieve anything of this? The following words of the Almighty God applies to them: "If aught that is good befalls you, it grieves them; but if some misfortune overtakes you, they rejoice. But if ye are patient and do right, not the least harm will their cunning do to you, for God knows all that they do." [Koranic verse]

Nowadays they are making many statements and proclamations about some of what the IMF has decided to do for them. We say "some" because some of the decisions will remain secret to the Egyptian people. As for what they reveal, we observe that they concern piecemeal measures; one measure about reducing the pound's exchange rate through the banks adopting the blackmarket rates and another about the rate of interest. There are other decisions about increasing the price of energy and public sector products. We are feeling these measures gradually and sometimes read about them. I do not think it is possible to discuss these measures individually as there is not a single measure which, as it stands, is either right or wrong. Therefore we demand that all that has been decided should be declared so that discussion may be earnest and conducted in the light of the encompassing view of the entire economic situation.

We also warn against the strange talk about the good conduct certificate or the international community's confidence in our government and its policy. Who issues such a certificate and what is this international community? The IMF and the World Bank are not democratic organizations like the UN General Assembly. Their system puts them under the total control of the Western industrial states, a matter that gives the Zionists a special influence because of their special relations with these countries. When it is said that the IMF or the USAID have given Egypt a good conduct certificate then this is a catastrophe because it means that we have become completely subject to their line and to their control and so we will never be able to disobey them.

In this regard they wish to ensure that we toe the U.S. line in the Arab and African spheres and we strengthen ties with Israel. Economically this will further deepen our subordination to them in matters of food and technology and promote economic exchange and integration with Israel. There is no doubt that they also wish to reduce the budget deficit and the balance of payments deficit so that they will reduce their "aid" to us, but they want to achieve this reduction without jeopardizing their objectives. Therefore the national means for reducing the deficit are bound to be different. We, for example, will not contemplate reducing the deficit by leasing military bases to the United States or selling shares in the Suez Canal or any other successful company to foreigners. But the IMF and its supporters are not embarrassed to ask for this. I was astonished that so far they have not paid attention to the idea of selling the pyramids although such project could realize far larger amounts than what we would obtain from selling Suez Canal shares!

In the face of the Zionists and the international bodies and in view of the impotence of the government the Islamicist should propose integrated countersolutions. We should not tackle the announced measures at the surface but should go down to their roots. We should not deal with what is happening as if it concerns a number of scattered measures. These measures, as we said, are being adopted in accordance with a general logic for the purpose of a general objective. This general philosophy and this general objective is what we should concentrate on and should uncover in our discussions in the People's Assembly and elsewhere.

What some of the Islamicists said when discussions turned to loan agreements concerned the question of usurious interests. This question is indeed worth examining; rejection and reservations are in order. [as published] But discussing this matter in depth should be done in the light of a thorough understanding of the general economic situation and of the most serious factors hindering the establishment of an Islamic system for the Egyptian economy. I believe that this is what the SLP parliamentary body is, God willing, going to do when the new budget is debated.

If we are to discuss the issue of usurious interests in the light of the general framework then the question of priorities will come to the fore. If it is impossible to resolve all the problems at once, does this mean that the question of usurious interests is the problem that should rather be concentrated upon at this juncture? I believe that there is no room here for a long answer, but it would suffice to point out that liberating economic transactions (both internal and external) from usury means that we are in the process of establishing an economic system that is quite different from the existing international system of which we are a part. We can do so completely (in our internal and international relations) only to the degree we can disengage ourselves from the prevailing international system. We do not say that the Islamic economy should be isolated from other economies. This is impossible. But what we are asking for is to establish our relations with the others on the basis of independence and equality and not of weakness and subservience. In which case we will be able to establish an independent economic system which in its administration, development, or distribution is not dependent on usurious methods.

In order to establish an economic system of our own we must endure the adversities of the struggle [jihad] against the enemies of Islamic renaissance who will threaten us with all kinds of military intervention and economic pressure in order to prevent us from achieving our objective. All this means that questions of national security come to the forefront. The Islamic society must protect its existence, its funds, and its sources of livelihood so that it can later achieve what it likes to achieve.

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CSO: 4500/110

WALI DISCUSSES IMF, PARIS CLUB NEGOTIATIONS

JN261302 Cairo AL-JUMHURIYAH in Arabic 23 May 87 pp 1, 2

[By Hasan 'Amir]

[Text] Dr Yusuf Wali, deputy prime minister and agriculture and food security minister, has announced that the negotiations with the Paris Club on rescheduling debts are progressing successfully. He added that the agreement with the IMF was a necessary step.

The deputy prime minister said the Egyptian Government is holding contacts with Sweden to settle its objections to rescheduling. He added that an agreement will be signed with the debtor nations through the Paris Club to settle differences over the grace period. Egypt is seeking a 7-year grace period while the debtor nations agree on granting only a 5-year grace period.

Dr Wali addressed the Joint Egyptian-U.S. Chamber of Commerce saying: We seek to give the private sector a large role in economic activities, thus allowing it to act as a partner in development. We also seek to float the prices of agricultural products such as rice, sugarcane, and cotton. The IMF is of this opinion and we have been holding this opinion for a long time. He said the latest decisions on the exchange rate for the Egyptian pound will not exterminate the black market once and for all. However, he added that the extermination of the black market will be gradual. He said: An agreement has been reached with investment employment companies to make them refrain from taking measures that would undermine the economic decisions. He added that reclamation projects will be encouraged and areas of land will be sold in areas that do not have the basic infrastructure for 100 to 400 pounds per feddan. He said that joint projects in various phases of agricultural production will be encouraged. He emphasized that the latest economic measures will not deal a mortal blow to the foreign currency black market.

This came in a dialogue held between Dr Yusuf Wali and members of the U.S. Chamber of Commerce. The dialogue began with a question on the harmony between the stands of both the NDP and the government toward the agreement with the IMF. On the extent of the success achieved in the talks with the Paris Club, Dr Wali said: There are no differences between

the NDP and the government. Both institutions agreed that the agreement with the IMF was a necessary step toward settling and rescheduling debts with the Paris Club. He added that the first session revealed the good response of all debtor nations with the exception of Sweden, which raised some reservations in its capacity as a representative of the Scandinavian states group. He noted that the Egyptian government is holding urgent with the Scandinavian governments through the Swedish Embassy in Cairo to settle the issue.

Dr Wali added: the second disagreement which surfaced at the Paris Club concerns the grace period to be allowed before rescheduling the Egyptian debts. The debtor nations agree on giving us a 5-year grace period and we are seeking a 7-year grace period, after which the upcoming 5-year development plan will be completed. And at that time, the minister said, economic structures will be more capable of confronting the burdens imposed by the debts. He said some forces are trying to depict the situation as one reflecting pressure from the IMF and acceptance of this pressure by the Egyptian government. He added that the truth is far removed from that and noted that the truth concerning what you see reflects a convergent of views on policies and attitudes by the two sides.

The deputy prime minister said: Since I assumed the duties of agriculture minister, my policy in the agriculture sector has been based on liberating the prices of agricultural products from government pricing and from the mandatory exportation quotas, and on allowing market mechanisms to play their natural role as an incentive to producers. We have succeeded in this. The prices of most products are determined by the free interplay of market factors and we are about to decisively and finally liberate the prices for rice, sugarcane, and cotton from all constraints. The IMF believes this is a wise policy, and so have we for a long time.

Dr. Wali added: The government stresses the importance of giving the private sector a greater role in economic activities and recognizes this sector as a partner in the development process. The entire open-door policy is based on this concept. The IMF also believes in the need to encourage the private sector and individual initiatives. What is actually taking place is that the government has given a growing role to the private sector, including imports of strategic commodities such as fertilizers and corn. At the same time, the government believes it is possible to turn some public sector projects over to a joint sector in which the private sector could participate. However, we will not make a decision on this before studying the results of some important experiments in some governorates, where special companies have been established to carry out specific jobs such as internal transportation and agricultural services. If these experiments succeed, they can be applied to the public sector in general.

Further to the dialogue on the agreement with the IMF, a question was posed on the effect of the IMF's demand for an increase in the interest rate on the productive sector and the creation of new work opportunities.

Dr Wali said: I do not agree with those who believe that the reduction in bank finances has harmed the entire productive sector. For example, the agricultural sector was not affected. We are still granting it loans with 6 percent interest. We have a big financial allocation which amounts to 500 million pounds. Moreover, the industrial financing resources are still available through the development bank.

Concerning the recent economic measures and whether they can finish off the black market, Dr Wali said: I do not believe we can completely finish off the black market, especially a few days after the beginning of the experiment. The black markets will be eradicated gradually. The preliminary results of the experiment in the foreign currency market show a drop in the difference between the dollar price on the currency market and its price on the black market. The difference is two piasters.

In his statement, Dr Wali stressed that he chaired a meeting attended by the owners of the financial investment companies. Dr 'Atif 'Ubayd, minister of state for Council of Ministers' affairs, and Dr Yusri Mustafa, minister of economy, attended the meeting. He said: We stressed to them the need to concentrate on investment in the productive sector. We also agreed not to take any measures that would harm the recent economic measures.

Dr Wali added: Despite this, the government has the courage to confront any situation. We have the will and the funds to protect our measures from any attempt to tamper with them.

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CSO: 4500/110

GHALI DELIVERS SPEECH MARKING AFRICA'S DAY

NC251525 Cairo Domestic Service in Arabic 1230 GMT 25 May 87

[Text] The Arab Republic of Egypt once again affirmed today its belief in and support for the OAU and stressed the need to maintain its efficacy, so that it might face up to Africa's problems. Egypt also emphasized the importance of supporting the OAU's efforts to increase cooperation and cohesion among the various African states in all fields.

This came in a speech by Dr Butrus Ghali, minister of state for foreign affairs, during a ceremony marking Africa's Day. Heads of the African diplomatic corps and representatives of liberation movements stationed in Cairo attended the function. Dr Ghali said the economic crisis imposed upon the Continent makes it incumbent upon all African states to rearrange their priorities in a practical way that is compatible with their people's interests. Dr Ghali added that Egypt will not hesitate to cooperate with all its African sisters in all fields. Egypt has established the Egyptian fund for technical cooperation in Africa, which has dispatched hundreds of Egyptian experts to more than 30 African states. His excellency also noted the fact that Egypt has hosted several African meetings and conferences, stressing that the outcome of these meetings has added to the existing cooperation and constructive solidarity among the African countries. He referred in this respect to the meetings the OAU's bureau has held in Cairo.

Dr Ghali stressed that Egypt is firmly committed in its support for the Frontline African States in their heroic struggle against the racist colonialism in South Africa. The South African Racist Regime's practices continuously threaten peace and security on the African Continent, he emphasized. In this connection, Dr Ghali appealed to all major states maintaining economic relations with South Africa to impose comprehensive economic sanctions against that regime in a bid to tighten the siege on it and to compel it to respect the international community's will.

Dr Ghali concluded by emphasizing the importance of preserving Chad's sovereignty and of solving the Western Sahara issue in accordance with the OAU's Charter and resolutions.

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CSO: 4500/110

MUSLIM BROTHERHOOD LEADER INTERVIEWED

Kuwait AL-MUJTAMA' in Arabic 7 Apr 87 pp 27-29

[Interview with Mustafa Mashhur, Muslim Brotherhood leader: "Mustafa Mashhur Says, 'I Expect Us To Gain 40 Seats; Opposition Parties Expect Those in Power To Intervene on Behalf of the Ruling Party; Muslim Brothers Had Always Helped Extinguish the Fires of Sedition; They Never Stirred Them up;' date and place of interview not specified]

[Text] AL-MUJTAMA' interviewed Mustafa Mashhur, one of the Muslim Brotherhood's most prominent leaders, on the occasion of elections for Egypt's People's Assembly. These elections started yesterday, Monday, 6 April 1987.

[Question] The Muslim Brothers allied themselves with the Wafd Party in the previous election, but that alliance was broken in the current election. Why did that happen?

[Answer] The term, alliance, does not apply to what really happened. What we had was nothing more than an agreement to work together in the election so that Muslim Brothers could overcome the obstacle that was placed in their path and that prevented them from participating in elections. I am referring to the law which decrees that people vote for party lists. That law restricts participation in an election to those parties that are officially recognized. Independent individuals who are not members of those parties have no way of participating in an election. It is known that this law was decreed specifically to prevent Muslim Brothers from running for office as assembly members. Thus, an agreement was reached between the late Mr 'Umar al-Talmasani and Fu'ad Siraj-al-Din. The two men agreed that a few Muslim Brothers would be nominated by the party and their names would appear on the Wafd Party's list of candidates. That was to be our way to get to the assembly. In return, the Wafd party would benefit from the ballots which voters will cast for it, and it would overcome the obstacle of having to have over eight percent of the total number of ballots cast throughout the republic in accordance with the law. It was agreed that after the election a member of the Wafd would still be a member of that party and a member of the Muslim Brotherhood would still be a member of the brotherhood, both inside and outside the assembly. Accordingly, what transpired between the Muslim Brotherhood and the Wafd was not a permanent alliance, but rather a temporary cooperation for a specific operation.

When the opportunity for another election presented itself, the Muslim Brothers had to look for something better. After studying the agreement that was reached with the Labor Party and the Liberal Party, they found what they had been looking for. So, this was not the result of a disagreement with the Wafd Party, as some people think.

[Question] In the current election the Muslim Brothers allied themselves with the Labor and Liberal parties, and their names appeared on the parties' list of candidates. That is why some people interpreted that shift away from the Wafd Party to the Labor and Liberal parties as opportunistic. What do you have to say about that?

[Answer] There is nothing opportunistic about what happened. The Muslim Brothers seek no worldly gain, nor do they use others to obtain such gain. But they do strive to obtain their right to be represented in the assembly legally. However, the regime still does not wish to recognize them, even though they have more grass roots support than any other party, even the government's party. Then we found that the Labor Party and the Liberal Party were more responsive to us with regard to applying the canonical laws of Islam. We also found that with them we could get a better percentage of representation on their lists of candidates than we did on the Wafd's list of candidates during the previous election. That is why we made this agreement with them. Thank God, the question of the canonical laws of Islam is more prominent this time than it was last time.

[Question] What do you expect election results will be? How will the Muslim Brothers fare in those elections?

[Answer] Everybody sensed that mainstream Egyptians were responding to the Labor Party's list on which our names appeared. This is because the masses are responding to the demand for applying the canonical laws of Islam. They know that the only solution to the difficulties, problems and corruption that people are suffering from lies in Islam. Some people expect that list to win over 60 percent of the seats in the assembly if the elections were 100 percent free. However, it is expected, as opposition parties are saying, that those who are in power will intervene in the elections on behalf of the ruling party.

If the level of intervention this time is the same as it was last time, I expect this list to receive no less than 20 percent of the seats. That is approximately 120 seats; Muslim Brothers would get between 40 and 50 of those seats. But God knows best what the outcome will be.

[Question] Our Cairo correspondent reported from that city that the government was harassing Muslim Brothers in various ways. He reports that some Muslim Brothers have been arrested. How are they being harassed? Have you experienced any such harassment? What are the circumstances under which such harassment occurred?

[Answer] Actually it is the tripartite coalition between the Muslim Brothers, the Labor Party and the Liberal Party that was subjected to the most harassment. Election publicity for that coalition was restricted because mainstream

Egyptians responded to it. This is because the principal question raised by the coalition was that of applying the canonical law of Islam. People know that Islam has the solution to everything that people are complaining about. People responded to us instinctively and devoutly. The fact that they are suffering from a few matters that they wish to be free of may have caused them to become even more responsive. That is why the belief prevailed that publicity for this coalition was quite extensive, and that created a desire in government to restrict the coalition's election and publicity activities. That manifested itself when a few candidates requested permission to convene an elections-related conference in their district. Government officials would delay their permits, and they would sometimes either not approve them or they would choose a small and far-away place for that convention. They would also limit the time for the convention or do a few things to undermine its image.

The other matter is that Muslim Brothers used statements like, "Islam is the solution" and "The Muslim Brothers under the Labor Party's list" to publicize and promote the Labor Party's list where their names appeared. They wrote these and other statements for which they are well-known on some billboards.

A few security men would remove these billboards and try to arrest those who put them up, claiming that the Muslim Brotherhood was not a legal entity and, consequently, the name, Muslim Brotherhood may not appear on billboards. As far as election-related conventions are concerned, the Grand Master, Muhammad Hamid Abu-al-Nasr, and I and a few other members of the Brotherhood were barred from speaking while these election-related conventions were being held. Anyone who was not a candidate was barred from speaking. Officials stuck to their position on that matter even though we told them that a candidate could not cover his district and clarify his position and his principles to his constituents without assistance from others. I was barred from attending an election-related convention in Ismailia: after I was already seated in the pavilion, I was asked to leave quietly. The Great Master was also barred from attending a convention in Alexandria, and he was escorted by guards back to Cairo. Dr Ahmad al-Malat, Muhammad 'Abd-al-Quddus, and others were also barred from conventions. We filed lawsuits, and in his reply the government's attorney stated there was no government decree barring us from attending. Then the judge threw the case out of court. Nevertheless, the fact remains that there is a real ban. On our part, we preferred not to take a confrontational attitude, so we had to let the conventions go on and not to speak when they were held, just as the government wanted.

On the other hand a few agencies used threats and applied pressure to the proprietors of those businesses which lease those pavilions to keep them from leasing the pavilions to some candidates. And that was not the end of it. The government's writers launched an offensive against the coalition of three parties, and they tried to portray it as a group of people fomenting civil strife among the populace. It were as though they wanted to link publicity for the elections with the sectarian strife which had occurred in a few regions.

Actually, it is the opposite that is true. Muslim Brothers have always taken part in extinguishing the fires of civil strife, not in fomenting them. The Grand Master made that clear in an article he wrote on the subject. We have nothing to do whatsoever with any sectarian civil strife that occurs in Egypt.

In fact, we are the people who are most concerned about national unity and tranquillity among mainstream Egyptians.

[Question] A few Islamic oriented activists maintain that running for elective office and working in parliament contradicts the method of the prophet, may God bless him and grant him salvation, for effecting change. What is the legal view on that and what are the ideas about that subject?

[Answer] When Muslim Brothers run for elective office and serve in parliament, they are doing absolutely nothing in violation of the prophet's method. The prophet, may God bless him and grant him salvation, used to call upon people to worship God, and he used to go where they went to assemble; he also went to their markets to tell them about God's words. He wanted people to become Muslims and to have a base from which they would set out into the world. Muslim Brothers call upon people to return to God's religion, to live by it, and to use God's law to settle matters between them. They use every opportunity that becomes available to them to do that. Bringing such awareness among the ranks of Muslims and from the rostrum of the People's Assembly is considered one of the most important avenues for enjoying immunity while making the voice of Islam heard officially even while the Muslim Brothers themselves are being tightly controlled and not legally recognized. There are in the assembly parties which have been allowed to exist. These parties announce their ground principles, which they are trying to impose on people. These parties should not be allowed to have the floor all the time, and their voice must not be louder than that of Islam, which is the official state religion. They should not be the only ones demanding the application of Islamic law as a system of government.

By the way, let me say that we do not approve of presenting the canonical laws of Islam in assemblies where representatives are asked for their opinions about their suitability. That is legally impermissible because these laws come from God Who is perfect. People are not to be asked what they think about God's law, but they may be asked to approve the entire code without any abridgement or change. If some things are to be discussed, these would be the application method, current circumstances, existing issues, or other such matters. God's tradition in making change is to change people's hearts. What we do in an election campaign is an effort to educate people so they would change their minds. And the role Muslim Brothers play in the assembly is the same educational role: they call upon people to unite under the banner of Islam: the religion, the law, and the total way of life.

[Question] May God reward you well. We wish you success, and so long!

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SOLUTIONS TO ELECTION FRAUD PROPOSED

Cairo AL-AHRAM AL-DUWALI in Arabic 25 Apr 87 p 7

[Article by Muhammad Sayyid Ahmad: "Voting by Computer"]

[Text] Once and for all we want an end to all charges that there is fraud in the elections.

We want elections in Egypt to be conducted the same way they are conducted in civilized countries where political parties succeed each other to power and where no party accuses another it is running against of practicing fraud in the elections.

What we want is that no opposition force in Egypt would have the opportunity to say that fraud has been practiced in an election.

The solution we propose to this intractable problem is this: elections in Egypt should utilize the facilities that have become available due to computer systems.

The computer I am referring to is not the one which is located in the Ministry of Interior's situation room.

At the very best this computer is a device that adds and subtracts; it is not a device that has all the capabilities of modern computers. It would not make the Ministry of Interior unnecessary. After all, it is the ministry not the computer that carries out all essential procedures which have to do with the election process. Nor would this computer eliminate the need for the Ministry of Justice or for any other supervisory agency whose participation in this process the opposition has demanded.

What I am referring to is a large modern computer: a central computer with terminals at all polling stations throughout the republic.

What I am talking about is having computer terminals replace ballot boxes so that no agency of any ministry would have anything to do with the voting process. Voters would not be handling paper, and the entire process would be automatic: from the time a voter casts his ballot for the person he thinks is suitable to serve as a member of the assembly until the moment election results are announced.

What I mean is that we should use modern technology to help us settle every political or non-political dispute about the integrity of the elections.

This ought to be done so that as far as the voter and the state's agencies are concerned, the process would be extremely simple and tamper proof. The computer itself would take care of all complicated aspects of the process in accordance with a program which can be monitored.

The process would be based on every citizen having an identity card that has an electronic magnetic strip like those which are on credit cards or those which bank customers have in order to do business with those banks.

A citizen would place his card in a slot especially prepared for that purpose. A red light would come on indicating that the computer has identified that person. The person would then turn to the screen in the device where he would see the candidates' names, the signs for the parties' lists, and the names of individual candidates. Under each list and under the name of each candidate there would be a button. The voter would press the appropriate button to select the candidate of his choice.

Thus, there would be no need for election committees to count the votes, and there would be no need for representatives to supervise the counting process. We would not need judges to verify the integrity of the procedures, and we would not need the agencies of the Ministry of Interior to add the votes and determine who the winners are. All that would be done automatically by computer according to a previously prepared program that cannot be falsified or tampered with.

There are technical methods by means of which it would actually be possible to confirm that such programs are fully protected against fraud and are tamper proof.

It may be said that the most advanced countries have not yet used computers in their elections, at least not in the sense that we are talking about. Why then should we be the first to do that?

To those people I would say we should use computers before those advanced countries do because no one there charges election fraud, but a charge of election fraud always appears in all the headlines of all opposition newspapers when we have an election.

At any rate, using computers in this sense is something that will be done in advanced societies in the near future, at least to simplify procedures and to obtain results quickly.

It may be said that the process would be costly and that the state has enough expenditures already.

To that I would say that setting up such a computer system would cost the state only a small fraction of what it spent to repair the telephone system or build the subway.

I would also say--and this is more important--that conducting a full survey of the civil register in Egypt and renewing personal and family identification cards has become essential and indispensable. We are all still using cards that have not been renewed for 20 years or more. Some people died; some emigrated; and some moved and changed their place of residence. None of that is recorded.

It is ludicrous, for example, that I still have an election card which was issued to me early in the fifties when I was a student. Now I am about to retire.

It makes no sense that when the number of Egyptians is more than 50 million persons, those who are entitled to vote in an election are still 14 million persons. In fact, only half that figure, according to the minister of interior, did actually vote and cast ballots. It is certain that one of the reasons for this horrendous discrepancy is that the roster of voters no longer reflects the present status of voters.

Is it right, moreover, that 7 million citizens elect a People's Assembly that represents more than 50 million persons? We are citing official figures here and not referring to the opposition's charges that election results were falsified.

This is a question that should keep all of us without exception--supporters as well as members of the opposition--awake at night if we all really believe that democracy should be the foundation of government.

There is an urgent need for a comprehensive review of the civil register, of identity cards, election cards and voters' rosters. Conducting this comprehensive process in this old, primitive manner at a time when computers have become available and can be used to conduct this process easily, precisely and with unimaginable efficiency makes no sense.

My suggestion is being made not merely to deal with the fraud charge. My suggestion is governed, above all else, by considerations for society's security and stability. It is also governed by thoughts about our credibility as a state that wants to stay in step with the upcoming 21st century.

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CS0: 4504/214

MONETARY EXPERT DESCRIBES NEW FOREIGN EXCHANGE PROCEDURES

Cairo UKTUBAR in Arabic 10 May 87 pp 11-13

[Interview with monetary expert Muhammad 'Ali Hafiz by Muhsin Hasanayn: "The Banks' Entry into the Money Market Will Lead to Stability and the Drop in the Rate of the Dollar"]

[Text] I believe that the gates of heaven were open when I held a series of lengthy discussions with the former ministers of economy on the chaos in the exchange market in Egypt, the reasons for the exaggerated rise in the dollar and the recommended solutions for regulating the market!

All the former ministers, and the former governor of the Central Bank along with them, agreed that it was inevitable that the banks should come in as traders in the free exchange market so that it would be possible to regulate this market and reduce the severity of speculation in the value of the Egyptian pound!

Dr Mustafa Sa'id, Dr Sultan Abu 'Ali, Dr Sulayman Nur-al-Din, Dr Hamid al-Sayih, Dr Fu'ad Hashim and Mr 'Ali Najm made this statement, successively.

Only a few days passed until the government declared its intention to allow authorized banks to trade in foreign currency at free market prices.

I learned that these steps on the part of the government were preceded by intensified meetings, some of which were held in the headquarters of the Council of Ministers and others in the Egyptian Central Bank, between the government and the heads of banks operating in Egypt, to determine the way in which they would enter the market and the anticipated effects of their doing so.

I also learned that there are a number of studies and research works which have been prepared on the new system and that a large part of that research work was prepared by the "engineer" of the new system, Muhammad 'Ali Hafiz, director general of the Bank of Egypt and member of its board of directors, who has been enthusiastic over the idea of the banks' coming into the free money market for a long time. However, the idea, in its final form, became clear in his mind and that of his colleagues only at the beginning of last

year, and then serious study began on the possibilities of carrying it out in a practical manner.

There is no doubt that the new system will face challenges, by far the most important of which are the attempts of some people benefitting from the former situation to strike at the new system. The mechanics and flexibility of the new system, its ability to provide the greatest amount of the market's money requirements and the commitment of all the banks to it represent the most important of the challenges it is facing.

Therefore we had to meet the "engineer" of the new system, the banking expert Muhammad 'Ali Hafiz, so that he could talk to us about his goals and ways of confronting the expected challenges.

At the beginning we asked Muhammad 'Ali Hafiz, "Is the new system an exchange rate system or a system for regulating the exchange market?"

He answered by stating, "The official name of the new system is the free bank foreign currency market. It is aimed at having banks come in as traders in the exchange market, provided that they be the biggest and most important of those trading in it, and at setting out an agreement with the International Monetary Fund on carrying out the consolidation of the exchange rate in stages."

[Question] Did the idea for this system come by initiative of the government or did it arise from within the banking system itself?

Muhammad Hafiz replied by saying, "No, the notion arose from within the banking system itself, and it is this which prepared the studies and research bearing on the new system." He added, while proudly patting a stack of files with his hand, "These studies are the product of a whole year of effort!"

[Question] Therefore the notion of having the banks come in as traders in the exchange market was not, as some people believe, a spur of the moment thing or a result of the circumstances which happened in the market in the recent period!

Muhammad 'Ali Hafiz replied quickly, stating "No, we have been studying this notion since early 1986. During this period we prepared a number of studies and research works on the nature of the exchange market in Egypt, the loopholes that exist in it and ways for authorized banks to enter into transactions in this market again, or, in a more correct sense, the restoration of the market to its normal state and true balance, which is a basic demand of all the people working in the banks. The fact is that we have not come up with anything new. In every exchange market in the world, the banks are considered one of the important parties conducting transactions in it. Yes, there are intermediaries, but they are intermediaries in the professional sense of the word, not currency dealers as is the case in our Egyptian market!"

[Question] But who is it who removed the banks from transactions in the exchange market, although the first article of the law on money has frankly permitted them this?

[Answer] The reason, in brief, is that the exchange rate was set at a low level which did not represent reality, and consequently the supply of foreign currency dropped with that price and directed itself to the free market. As a result of that the banks were not able to respond to demand, this directed itself toward the free market in turn and therefore the banks remained outside the market.

In the framework of the current condition of the exchange market, the banks are totally isolated from this market and their transactions are confined to the price declared by the Central Bank, which is 136 piasters. That is a price in which I do not believe any Egyptian working abroad will agree to conduct transactions, because the Egyptians consider their incomes in effect a livelihood for themselves and their children and they must obtain the greatest revenue from them. It is obvious that they will resort to the free market for the pursuit of transactions rather than to the banks.

[Question] Who then conducts transactions at this price of 136 piasters?

[Answer] The banks conduct transactions at this price in the case of some earnings which must be paid in foreign currency on the basis of laws and decrees adopted in accordance with government sovereignty, such as the sum of \$150 which tourists hand over when they enter the country as well as earnings from our exports of five commodities, specifically rice, cotton, onions, potatoes and citrus fruit, since the exporters put 50 percent of the receipts to the side for themselves and transfer the remaining 50 percent at the price declared by the Central Bank.

Muhammad 'Ali Hafiz pointed out that until recently the exchange rate was set in the Arab Gulf countries, where the greatest number of Egyptians working abroad are to be found, and the money-changers in these countries remitted the savings of these Egyptians to the country in accordance with rates that had been agreed upon between the bank and these money-changers.

When the banks left the market to the others conducting transactions, the features of the free market began to take form in a clearer manner, since the difference between the exchange rate declared by the Central Bank and the rate applied in the market was great and so enticing that it encouraged the Egyptians working abroad to remit their savings in the form of liquid foreign currency, enter the country with it and change it by means of hard currency dealers.

Hafiz went on to say, "More than 80 percent of the remittances of Egyptians working abroad flowed into that market, where it was traded in circles beginning with the 'dealers' who accumulated small amounts of currency from small holders, then sold them to major traders in a bigger circle and so on until the money ultimately accumulated reached the biggest circle in the market, where it was sold to private sector importers who would deposit it once again in the banks!

"The profit of the middlemen in these numerous circles is in any case no less than 10 percent in ordinary circumstances, and more than that in unusual circumstances.

"We have estimated the size of the free foreign currency market at from \$3 to \$4 billion, which is the volume of imports where there is no transfer of hard currency and the volume of transactions which have not been taken into account."

[Question] Why do you insist on calling the black market for hard currency the free market? Isn't it actually black?

Muhammad 'Ali Hafiz smiled before stating, "I do not want to describe the market as black, and I do not want to say that there is a free market inside or outside the banking system. However, I do say that the new system is aimed at having a free market for foreign exchange in Egypt in which transactions and traders will be numerous."

[Question] Will you therefore permit hard currency traders to work in the halls of banks again?

[Answer] The fact is that if we assume that the accredited banks will be among the big traders in the market and will be subjected to its traditions and rules, which include the pursuit of the prevailing price there, what will prompt the people who own dollars to take what they own out of the hall of a bank in order to deal with hard currency traders when they find that the price is the same?

I can frankly say there is no place for hard currency traders in the hall of a bank which is offering the same rate with greater liquidity, legitimately and safely, along with the ability to move the money anywhere in Egypt in record time without any risk. In the context of this situation I do not foresee any real role for the hard currency traders in the hall of a bank!

Features of the New System

[Question] Could you talk to us about the features of the new system for regulating the exchange market?

Muhammad 'Ali Hafiz replied by saying, "One of the most important features is the grant of permission to all authorized commercial banks operating in Egypt, which come to 40 in number, to operate in the framework of the free exchange market for foreign currency, provided that the rates of the foreign currencies in this market be set in accordance with the law of supply and demand, without any intervention on the part of any official authority in Egypt, by which I mean specifically the Ministry of Economy and the Central Bank!

"A room will set the foreign currency rates every day. This will include a group of experts representing eight of the authorized banks operating in Egypt -- the four public sector banks (the Bank of Egypt, the National Bank, the Bank of Alexandria and the Bank of Cairo), two joint banks and two private banks. The location of the room will be in the Bank of Egypt.

"The initial makeup of the room will include the Egypt International, Chase National, Merchants' and Domestic Banks.

"The private sector and joint banks' representation in the room will be effected by means of a change every 6 months so that the greatest number of banks operating in Egypt will be given a chance to participate in the room, provided that the representation of the four public sector banks remain constant.

"The rates this room will announce will be binding on all authorized banks until they change the afternoon of the following working day."

'Ali Hafiz continued, "In the framework of the new system, the authorized banks will open some of their branches in the evenings so that all areas of the republic geographically will be covered and the banks will at no time be isolated from the market."

[Question] Are there branches which will be operating over a 24-hour period to respond to emergency requests?

[Answer] The bank branches in the airports and hotels actually operate over a 24-hour period and they are adequate to respond to any emergency requirements.

Hafiz pointed out that the lists of the rates which would be declared daily would be sent to all the authorized banks and their branches by telex and facsimile (an apparatus for sending images over telephone lines) to guarantee that they are put into effect as soon as they are declared.

[Question] However, this requires that the banks be connected to one another through a big communications and information transmission system. Are the banks operating in Egypt prepared for that?

[Answer] I cannot say that the information transmission system which the banks are currently relying on represents the most modern that information transmission technology has come up with. Moreover, resources differ from one bank to another.

Therefore we will try to compensate for that by setting up telex and facsimile systems in all the bank branches, which are more than 1,000 in number. They represent the most massive system for serving citizens in the area of banking in Egypt.

To that one should add that I am now conducting negotiations with the Reuter company to transfer the lists of rates through the information transmission system belonging to the Bank of Egypt to the Reuter system, which will disseminate that over its equipment to all subscribers. This may be a preparatory step to its dissemination internationally.

In this regard, I am anxious to state that the banks have no alternative but to develop their services in various ways so that they will be able to attract the savings of Egyptians working abroad, who deal with developed banking systems abroad and consequently expect their banking system to be at the same level.

The banks must also develop their services so that they will not give other traders an opportunity to enter the market as a result of their laxity in performing their role.

[Question] Why, however, is the Central Bank abandoning its role of setting the exchange rate so easily, although that is stipulated by law?

Muhammad 'Ali Hafiz replied by stating, "The law does not dictate that the Central Bank set the exchange rates. Rather, that was followed in the distant past when countries followed the system of the gold standard and other systems which provided a fixed rate of exchange. However, once the exchange rates in international markets became variable, the setting of the rate moved out of everyone's hands and the situation then was contingent on the interaction of supply and demand in every market with respect to all commodities or goods. To state otherwise would be to offend the truth and violate the ability of the Central Bank or any other body as far as imposing a specific rate in the market is concerned.

"Since the market in Egypt is not so developed that the determination of supply and demand could be abandoned, without any body coordinating this rate, the consensus then was that the ones who could best sense the trends of the market, the circumstances of supply and demand and the psychological changes in this market were the banks, and therefore the notion of a room for setting the rates came about. I can assert that that is not an innovation, but that it is in effect in a number of countries in the advanced world."

[Question] A marginal question is pressing on my mind, which is, why have you taken the Bank of Egypt specifically as a site for the room for setting the rates? Is that partiality on your part toward your bank?

[Answer] The fact is that the choice of the Bank of Egypt in actuality does not call for amazement or wonder, because there are technical reasons which have called for that, including the presence of the requisite space for the room and the necessary equipment for it, especially since the decision to establish it took place in a very short period of time and it would not have been feasible for any supplier to provide for it in this short period. Therefore the aid of the bank's developed systems was sought in providing the necessary technology for this room.

[Question] Don't you expect that giving the freedom for banks to trade at realistic exchange rates will lead to a rise in the prices of various goods and services?

He replied by stating, with confidence, "The new system will not affect the rates, because the present roster of people carrying out transactions in the currency market includes the private sector, which imports about 30 percent of the market's requirements and obtains foreign currency from the free market at the prevailing rate. Consequently, the prices for these commodities will remain as they are.

"Public sector imports account for 45 to 50 percent of the volume of the market, and it obtains its currency requirements at a rate which is close to

the free market rate and remote from that of the Central Bank. Consequently its transactions at the new rate will not lead to any perceptible increase in prices."

[Question] It is expected that the market will witness some spontaneous speculation in the value of the Egyptian pound on the part of some parties whom the new system will threaten. Are you prepared for this?

[Answer] There is no doubt that the advent of authorized banks operating in the free foreign exchange market will lead to the regulation of transactions in the market. The purpose of the advent of the banks is not dominance of the market and the prevention of other people conducting transactions from trading in it. Rather, it is aimed at the restoration of balance to the market and preparation of the atmosphere for its stability.

We all know that comparing the role of the banks to the role of the other parties to the market in the context of the situation in which they were isolated from the market is unfair because the banks in their transactions were governed by a specific rate declared by the Central Bank.

However, in the framework of the new system, the banks will be able to have prices vary in accordance with the forces of supply and demand. In addition to that, they have the ability to provide the greatest amount of liquidity and have a system of branches spread out everywhere in Egypt. All these factors make speculation against the banks an impossibility!

Therefore the hard currency traders have no alternative but to go along with the new situation, in which no one has the goal of striking out at them. Frankly, we all know that there is no hard currency trader who does not rely on a bank, on the checkbooks of a bank, and on flows of cash into accounts with a bank. It is inconceivable that the banks should be the hard currency traders' helpers and competitors at the same time, especially since learning about these merchants' transactions through their account lists is an easy matter as far as people with banking expertise go.

'Ali Hafiz continued, "Therefore, we consider that the banks can compete if they want, indeed derive 'stamina' for competition through their excess liquidity, in fact their ability to reduce their profits and absorb their losses if the situation requires.

"Therefore, it would be better for the market and the people dealing in it if the new situation, which is aimed first and last at the stability of the market and its effectiveness, were stabilized."

[Question] Don't you agree with me that the basic criterion for the success of the new system is the provision of the greatest amount of foreign currency required for imports without the transfer of foreign currency and the banks' pursuit of sale and purchase operations jointly, not just purchases, as was the case previously?

[Answer] I agree with you on this, of course. Therefore, I am anxious to point out that the bank will finance private sector imports, provided that the importers pay the price of the credit in Egyptian pounds.

[Question] In Egyptian pounds?

[Answer] Yes, in Egyptian pounds. Thus, the importer will not turn to any other party to the transaction to finance his imports, as long as the banking system provides him with his foreign currency needs at the market rate.

To that one should add that all the other monetary rules now prevailing will remain as they are without change, especially those concerning the pilgrimage, the off-season pilgrimage, travel for tourist purposes or the transfer of specific sums such as monthly subscriptions to foreign newspapers and other cases.

As regards sales and purchases, I agree with you totally on this, but we cannot differentiate between the two sides of the market, which are supply and demand. However, in any case, the banking system is ready to cope with the demand for the dollar, even if the supply does not begin to be amply forthcoming. That clearly means that the banking system has suitable cash reserves which will suffice to keep up with the flows of supply and demand and bridge the time gap between them if the situation requires.

However, I would like to state that importing to excess, especially at the beginning of the new experiment, is something that should be considered undesirable, since that will lead to greater demand for the dollar and a rise in its rate, which will ultimately inflict harm on the importer.

[Question] But how will you distinguish between serious importers and people who import to excess? Will the guidance committees return once again?

[Answer] The guidance committees will not return, but we as banks can distinguish between serious importers and people importing to excess through the cash cover they deposit in the bank, which ranges from 15 to 75 percent in accordance with the type of commodity, without interest, for a period of a month, after which they have the responsibility of arranging for the necessary money in full.

In the context of the new system, the importer deposits the equivalent of 50 percent of the value of the credit in Egyptian pounds in accordance with the rate of the day in which the deposit takes place, so that the bank can start arranging the necessary hard currency. After the arrangement, which will be made in a very short period, the importer will deposit the remainder of the value at the rate of the day the letter of credit is opened. It is possible that the importer can benefit from credit from the banks to the extent of the remaining 50 percent, if the banks' credit rules allow that.

The fact is that the mere payment by the importer of 50 percent of the value of the credit from his cash resources confirms his seriousness.

[Question] Do you expect that this new system will lead to a drop in the rate of the dollar in the Egyptian market?

Muhammad 'Ali Hafiz answered with his confident attitude, stating, "I expect that the rate of the dollar will tend to decline after the system become stable."

[Question] But you said at the beginning that the new system has the goal of attracting the savings of Egyptians working abroad. There is no doubt that there is a contradiction between the two objectives, the drop in the rate of the dollar and attracting the savings of Egyptians. What does the system aim at, specifically?

[Answer] My own opinion is that the Egyptian economy has reached a point one cannot be silent about, and that the time has come for the Egyptian banking system to be the master of the money and cash markets in its own country. The experiment the people and the government are embarking on to correct the conditions of the national economy in my opinion is totally analogous with the experiment of the crossing, if not more serious, since the fate of the national economy will depend on the current situation and the results of this experiment for many generations.

As regards the answer to the question you raised, the scope of the liberation of the exchange market does not entail attracting savings as one of the main goals, since savings and their interaction with the exchange rates are a result, not a goal. More important than that, rather, is that these savings go into the investment area. This is the true motivation.

[Question] On that subject, what is the rate at which the new system will begin functioning?

[Answer] The free market rate.

[Question] Do you believe that this rate represents the real value of the dollar on the Egyptian market?

[Answer] In order to give you an answer to this question we must acknowledge first of all that there is no single rate in the market; rather, there is a rate at which dealings among people occur. When you ask me about the rate of the dollar today, I will tell you that it is 217 piasters, but that does not mean that all transactions on the market have taken place at that rate. Rather, they could be less or more than that rate.

In spite of that, all these differing rates represent the sales price of the dollar, not its purchase price.

On looking at the circles of middlemen which we talked about at the beginning, which are more than three in number, we find that the rate of 217 includes all the profits of the hard currency traders and represents all the psychological and material interactions of the market forces and the different aspects of shortcomings present in the market. In brief, it is the product of numerous interactions, and consequently I cannot say that it is the real exchange rate but can say that it is the real price of the exchange!

[Question] There is fear of an outbreak of speculation in the value of the Egyptian pound among banks. What is your view?

Muhammad 'Ali Hafiz replied by saying, "Total commitment to the rate which the room setting the rate will declare and carry out is something that is

necessary and inevitable on the part of all authorized banks. There is no doubt about the seriousness of this commitment. On the basis of my information, permits for dealing in foreign currency will be withdrawn from any bank which is proved to have speculated in the market!"

Who Is He?

Muhammad 'Ali Hafiz, director general of the Bank of Egypt and consultant to the room for setting the exchange rates of foreign currencies.

He was born in 1936.

He started his work in the Bank of Egypt in 1956 and rose gradually through all positions until he reached the position of director general and member of the board of directors of the bank.

He works as a part-time professor of higher studies in commerce at 'Ayn Shams.

He occupies the position of vice president of the International Bank of Egypt.

He is consultant to the federation of banks of Egypt.

He took part in the preparation of a number of studies on the new organization of the exchange market and therefore is considered the engineer of this organization.

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TOP MANPOWER PLANNER REVIEWS SURPLUS LABOR EMPLOYMENT PLANS

Cairo AKHIR SA'AH in Arabic 6 May 87 pp 12, 13

[Interview with Manpower Minister 'Asim 'Abd-al-Haqq by Suhayr al-Husayni: "The Minister of Manpower Speaks Frankly to AKHIR SA'AH: Appointment of Graduates According to Job Requirements"]

[Text] There was a general feeling of relaxation in Egyptian families over the decree appointing close to 200,000 graduates from the classes of 1981 and 1982. At the same time, the question was, when will they get their jobs? Is there actual need for their areas of specialization in the new jobsites where they will work? Another question was that these classes were appointed in 1987 -- when would the graduates from 1983 to now be appointed? Also, what job opportunities will the second 5-year plan that is to end in 1992 provide?

On these and other questions, AKHIR SA'AH had a meeting with 'Asim 'Abd-al-Haqq, the minister of manpower and training. He said, "The people who were appointed represent just the surplus of graduates for the previous years and just represent 40 percent of the graduates, in general and all in all. Altogether, we will find that the next 5-year plan will provide graduates with 2.1 million job opportunities and unaffiliated foreign labor will leave Egypt as soon as its work permits end. We will also seek to develop the labor representation boards. The new graduates will work in their areas of specialization and at the same time we will train Egyptian labor in technical and rare specializations."

At the beginning of the meeting with him, on the subject of the results realized by the measures to appoint the 200,000 graduates whom President Mubarak recommended be appointed, the minister of manpower and training, 'Asim 'Abd-al-Haqq Salih, stated,

"First of all, these graduates who have been appointed represent the graduates of 1981 with intermediate qualifications; 1982 with higher qualifications; and 1985 and 1986 from the faculties of letters (the Arabic, English and French language department), the Teachers' Training College, 'Ayn Shams languages and the al-Azhar faculties (the Arabic language department, the faculty of education, languages, translation and Islamic studies for males).

Exceptional groups have also been appointed from the faculties of letters, home economics, veterinary science and social service. These graduates have been appointed to fill the deficit in teachers and also to meet the requirements of the Ministry of Justice and Industry and all ministries to which they have been distributed."

[Question] In your discussion you pointed out that these graduates have actually been appointed, while these graduates have not yet received jobs.

[Answer] A decree was issued by the prime minister last 12 April computing the seniority of these graduates as of the beginning of May. The Ministry of Manpower has started sending them appointment letters and as soon as they receive these letters they must go directly to get the jobs.

[Question] If this is the situation with respect to seniority, will the salaries be computed for them as of the beginning of this month as well?

[Answer] The salaries will be computed as soon as the jobs are received, and I can stress this to some people who are still being plagued by doubt about the seriousness of this decree and assert that what is being said is along the lines of propaganda during election time.

No Room To Cast Doubts

[Question] There are people who wonder if these 200,000 graduates were appointed on the basis of actual job requirements for them. In other words was it expected that they would have been appointed without a recommendation on that from President Mubarak?

'Asim 'Abd-al-Haqq, the minister of manpower, said:

"We appoint no graduate except on the basis of the actual job requirements for him. We have letters from various ministries which stress that. For example, just yesterday I received a letter from the Railway Authority requesting 1,000 graduates with a secondary industrial diploma to work in the new Bani Suwayf workshops. Also, the minister of justice wrote to us asking for 3,000 graduates with higher and intermediate qualifications as a result of the ministry's actual need for them, following the improvement in real estate declaration offices. Likewise, the minister of education has asked for 40,000 teachers to meet the deficit in teachers the ministry is suffering from. The same situation exists with respect to the Ministry of Industry, the armed forces, the police and other ministries."

[Question] If we are appointing 1981-82 graduates in 1987, when will the other classes be appointed? Will the labor market in Egypt really not absorb these graduates, notwithstanding the observation that we are always suffering from a production deficit and demanding that it be increased? What is your explanation on this?

[Answer] In order that we may be clear, we must acknowledge that a disruption exists in the structure of manpower, graduates and the labor market.

[Question] How so?

[Answer] What we are constantly saying is, are we a society of government employees or a society of producers? This is the basic issue and in my opinion the prime task of the Ministry of Manpower is to direct the greatest amount of young people to vocational training centers, support the worth of manual labor and encourage it materially and morally so that the negative images we are observing now will disappear. For example, if a company declares its need for a technical worker, no one presents himself, but if it declares its need for someone from a university, in this case thousands of people come forward. This is the clearest example of the disruption of the labor structure in Egypt.

Appointment of Surplus Graduates

The minister of manpower went on to say,

"You ask when the other classes will be appointed, and I say that the picture is not as bleak as it seems. These graduates who were appointed from the 1981 and 1982 classes are surplus graduates and they account for no more than just 40 percent. This means that 60 percent of this class have received jobs through their own efforts, through competitions or announcements or in the private sector, and we encourage this. We must reduce young people's proclivity for government jobs as far as possible. Therefore, the government's commitment exists as far as the surplus of graduates is concerned, for the reason that there are young people who graduate then receive jobs for example in the private sector directly."

[Question] Therefore you call the graduates who have been appointed by the Manpower [Ministry] surplus graduates?

[Answer] Yes, people who expect the Manpower [Ministry] to appoint them after a number of years are surplus graduates, without a doubt.

[Question] What is the ratio of this surplus of graduates?

[Answer] This surplus represents about 40 percent of the total class although there are areas of specialization where this surplus comes to 10 percent. There also areas of specialization where the surplus is very great and can reach 60 percent; for example, people with diplomas in commerce. This proves that the market is no longer absorbing this area of specialization and consequently we must reduce the numbers gravitating toward secondary education in commerce and at the same time concentrate on vocational training so that students will become accustomed to industrial behavior right after completing the basic education level by wearing blue collars. Also vocational training must provide 80 percent of the course in the form of practical work and 20 percent in the form of theoretical work, which is what we need today.

The real problem today is that 4 billion pounds are being paid in salaries to government employees, and this is a very large figure. At the same time, there are many factories which have stopped functioning because of the deficit in technical labor.

[Question] What remedy has been set forth?

[Answer] What is required is to encourage technical labor and manual labor and also the family private sector. Therefore we now are making feasibility studies with the Ministry of Industry's industrial design center and the International Labor Organization. To summarize this project, if there is a person or a number of persons who want to open up a workshop for automobiles, refrigerators and washing machines, we will offer them a study on the volume of capital required, the type of machinery and equipment and the labor. Thus it will be possible for these projects to absorb the savings of Egyptians returning from abroad and others instead of having them invest this money of theirs in buying land and apartments with the goal of speculation, or having these savings go out into the consumer market.

[Question] Has execution of this project actually started?

[Answer] The responsible bodies have given agreement to the project and we will start actual execution soon, God willing.

Coordination among Ministries

[Question] Through your position as a minister of manpower, what recommendation would you present to the Ministry of Planning and the higher council of universities to remedy the disruption that exists at present in the manpower structure in Egypt?

[Answer] Collective ministerial responsibility stresses that the efforts of all agencies must be joined on behalf of a single goal, be they educational, planning, legislative or executive. This requires the need for constant meetings among these concerned agencies. The minister of higher education has appealed to all the ministers concerned with the manpower process that we must arrive at the desired balance in reducing the deficit and solving the problem of the surplus of graduates through the 5-year plan and the labor and specific areas of specialization it requires. This means that I should tell the minister of education, "If you will permit, we do not want more intermediate commerce diplomas or Cooperation Institute graduates. At this time I want greater numbers of people who have obtained industrial diplomas in the mechanical, electric and carpentry sections. These are the areas of specialization the labor market needs now and in which it is suffering from a deficit."

The minister of manpower added:

"Likewise in the area of planning it is necessary to concentrate on labor-intensive projects."

[Question] What are labor-intensive projects?

[Answer] Projects that require little capital and absorb the greatest amount of labor, such as food and textile industries. These factories might cost 5 million pounds and absorb 5,000 workers, while in heavy industries a factory will cost 100 million pounds and absorb only 1,000 workers. This is what the Planning [Ministry] must devote attention to in the coming 5-year plan.

[Question] Has the coming 1987-1992 5-year plan which will start going into effect this July devoted attention to these considerations?

'Asim 'Abd-al-Haqq, the minister of manpower, said:

"Yes, there now is full coordination among the Central Organization and Administration Agency, the Mobilization and Statistics Agency and the Ministries of Planning, Education and Manpower and the Ministry of State for Administrative Development, and there will be a meeting among all these agencies next week, bearing in mind that the execution of this policy will take some time. As you know, strong proclivities for education exist and in order for me to change the hierarchy of education in Egypt and reduce the numbers of students in general secondary and commerce we will need some time. The important thing is that we start.

[Question] What volume of labor is it expected will be employed in the coming 5-year plan?

[Answer] It is expected that the volume of overall employment at the end of June of this year of the current plan will come to about 17.6 million as compared with 10.1 million employees in the base year 1981-82. Thus we find that the current plan has realized about 1.9 million new job opportunities, aside from the labor decrees resulting from replacement operations. This means an increase in the volume of total employment at an annual rate of about 3.4 [percent] which, God be praised, is a rate that exceeds that of the population growth.

Regarding the future view, that calls for optimism since the total new job opportunities targeted by the coming plan, which will start to go into effect as of next 1 July, will come to about 2.1 million, or an annual average estimated at about 420,000 job opportunities, aside from job opportunities established as a result of replacement through retirement or death. It has been mentioned that the target in the coming plan is for the volume of new job opportunities in the commodity sectors, that is, agriculture, industry, electricity and building and construction, to come to about 56.4 percent of the total volume of employment, in addition to 17.3 for productive services, which all are indicators that portend hope in the future.

Labor Offices Abroad

[Question] There is no doubt that manpower in Egypt is considered one of the resources we rely on, if it is properly used, as Japan, China, India and others have done. In your opinion, how can this be achieved for Egypt?

[Answer] Manpower is Egypt's prime resource and as I mentioned in Japan they do not have any raw materials but they do have immense manpower by means of which their products have managed to invade all countries of the world. They have known how to use this human resource through sound, organized planning, which is what Egypt has begun now.

[Question] We still have not yet seen the Ministry of Manpower possessing a prominent role in providing job opportunities for Egyptians abroad through labor representation offices and labor attaches abroad.

[Answer] In order for us to open new horizons for the employment of Egyptian labor abroad we have opened a labor representation office in the Arab

Republic of Yemen for the first time and we now have a labor attache in the Sultanate of Oman, now that we have observed that there is much Egyptian labor which has started to go to Yemen and Oman. I have also asked our brother labor attaches in the fraternal Arab countries that their role should not be confined just to solving the problems of Egyptian workers in these countries but that it should extend to the provision of job opportunities for Egyptian labor. This is a basic role, as happens with respect to the private employment offices whose delegates travel through their own contacts and bring new job opportunities to their offices. That is the role of the labor attache as well. As a result of the ministry's attention to this matter, good initial signs have started to appear in this area and we have managed to reach agreement with ministries concerned with workers in Arab countries and have concluded a number of agreements with them on which the time has not yet come to make an announcement.

[Question] With respect also to bilateral agreements between the labor ministries in Egypt, Jordan and Qatar, it has been observed that some complaints exist on the part of Egyptians working in these countries, especially Jordan.

The minister of manpower and training said:

"Jordan is totally committed to the labor agreements between us and things are proceeding in the best manner. Nonetheless, I will travel tomorrow to Jordan as part of the higher joint commission and we will discuss any problems the workers there have and God willing will reach rapid, sound solutions to them."

[Question] There are complaints on the part of Egyptians travelling to work abroad concerning the proliferation of measures the ministry carries out, which include not just them but also the people accompanying them as well. What is your excellency's view on these complaints?

[Answer] We ask the people who travel to read the labor or loan and renewal agreements for two reasons. First is to ascertain that there is a serious job opportunity so that a young person will not leave the country then be lost while looking for work. The second reason is that we should become informed of the average wage so that that will be at a reasonable level.

As regards companions or trips for tourist purposes, the ministry has no connection with this and it has issued instructions on that. One should bear in mind that we all know that there are young people who travel with the objective of working but they say that they are leaving for tourist purposes, then go to the country they are headed for for a month or more in an attempt to seek work. I wonder what is expected of a person who is outside his country and has no work or money. It is clear that he is exposed to danger. On this basis, we try to organize young people's travel activities abroad.

Transitional Training

[Question] What has been done so far with respect to the transitional training plan, especially since it is possible that that might absorb the surplus labor we are suffering from?

[Answer] Transitional training activities are now taking place in the vocational training centers in the case of many young people, including ones with higher qualifications. For example, in the Rawd al-Faraj Institute there now are 120 young people with intermediate and higher qualifications whom the ministry is training in technical occupations such as mechanics, electricity, carpentry, construction activities and so on.

[Question] Is there receptivity on the part of young people toward transitional training and the instruction in manual and vocational occupations?

[Answer] Yes, there is a large group of young people who are receptive to such training. For example, there are numerous young people with intermediate qualifications working as bakery workers and getting 10 pounds a day. This tendency has actually begun to appear among young graduates and in order for it to be applied generally we need some time with the spread of awareness through the media to rectify young people's notion about customs and traditions and the old social values.

[Question] What is the ratio of administrative labor to technical labor in Egypt?

[Answer] The administrative system has 3.2 million employees. This is a very large number for a developing country which demands increased production, while the number of people working in the public sector comes to 1.7 million, including all industrial, agricultural and commercial activities.

Foreign Labor

[Question] It has also been observed that in spite of our constant complaints about the shortage of job opportunities for young Egyptians, foreign labor is coming in in a continuous fashion. What is your explanation of that?

'Asim 'Abd-al-Haqq, the minister of manpower, said:

"The presence of foreign labor in Egypt is based on law. There are some professions which do not exist in Egypt, for example oil exploration and drilling, and these are foreign companies. The law stipulates that their employment of foreign labor not exceed 10 percent of the volume of labor present in the company. In addition, in any joint investment project, the law allows the foreign partner a share of foreign labor to a maximum of 10 percent, as well as foreign banks, liberalization investment banks and private sector hotels."

[Question] There are small production units which attract foreign labor such as barber shops, restaurants, homes and so forth. What is the ministry's position on these?

[Answer] It is now forbidden to give this foreign labor any new work permits. With respect to the labor that exists at present, as soon as the agreement periods end, we will not renew them.

[Question] What is your view on the composition of Egyptian labor abroad in the context of the new changes, especially the Arab region?

[Answer] There is no doubt that there has been an obvious contraction as a result of the current economic policies in the Arab countries and the circumstances they are going through, such as the drop in oil prices. In addition, many Arab countries have started to meet their labor requirements through their own people, who are graduates of universities. In spite of that, I can say that the Arab region will remain in need of Egyptian labor and specialists specifically for a long period.

[Question] What type of Egyptian labor has started coming back home again?

[Answer] Usually it is administrative labor. As I pointed out, some Arab countries have managed to cover their needs through their own people who are graduates. However, as far as the tasks of doctors, engineers, mechanical and electric technicians and construction workers go, the demand for them is still pressing and has not changed.

[Question] With respect to returning labor, will the ministry work to provide job opportunities for them?

[Answer] With respect to administrators, most of them have a place in the government or the private sector and went abroad on loan or on leave without salary. These will return to their places and there is no problem as far as they go. As to the people who are working in the area of free labor, there is no doubt that the labor market in Egypt is in the most extreme need for them, especially if they are craftsmen, contractors and the like.

11887
CSO: 4504/243

BRIEFS

FOREIGN MINISTER RECEIVES FRG PARLIAMENTARIANS--Cairo, 25 May (MENA)--
Dr 'Isamat 'Abd-al-Majid, deputy prime minister and foreign minister, has warned that the current escalation in the Gulf War is dangerous. He stressed the need to persuade Iran to accept the peace initiatives, to cease military operations, and to commence serious negotiations to restore peace to the Gulf. Dr 'Abd al-Majid made these remarks during his meeting today with members of the West German parliamentary delegation led by (Peter Kittleman). He affirmed that the proposal to convene an international peace conference for the Middle East represents a suitable framework for reaching a peaceful settlement in the area through negotiations among the parties concerned. Emphasizing the importance of the European role in this respect, Dr 'Abd-al-Majid noted last February's EEC statement that referred to the idea of an international conference. During his meeting with the delegation, Dr 'Abd al-Majid reviewed the lines governing Egypt's foreign policy, which is based upon peace, stability, and development. [Text]
[Cairo MENA in Arabic 1530 GMT 25 May 87 NC] /12624

CSO: 4500/110

CITY COUNCIL REPORTS ACCOMPLISHMENTS, LISTS GOALS

Haifa AL-ITTIHAD in Arabic 29 Apr 87 p 2

[Article: "Report From General Conference of Yafa/al-Nasirah Democratic Front: Important Development Achievements and Firm National Unity Under Yafa/al-Nasirah Leadership of the Local Council"]

[Text] Council Chairman, As'ad Yusuf: "We established the front not for election gains, but rather to unite the people in the fight for a solution to its problems. All of us, communists and the other nationalists, are allies, partners, colleagues--now and in the future."

Yafa/al-Nasirah (from our correspondent)--"We have realized important achievements in municipal development for the people of our town. We have paved the streets, built modern schools, and improved educational, cultural, and health services. Everything that interests the citizens interests us and is, in fact, our preoccupying concern. We have preserved the unity of the people and our depth, and have developed a broad front coalition of workers, peasants, intellectuals, merchants, and youth, communists and noncommunists. All of us here are brothers, colleagues in defending this town and its future." This is what As'ad Yusuf, chairman of the Yafa/al-Nasirah Local Council, said in summarizing the conference of the Yafah/al-Nasirah Front held Saturday afternoon, 25 April 1987, and which turned into a pride-stirring demonstration reflecting the strength of the Yafa/al-Nasirah Front and its solid leadership role in the town.

Nadir Lubani, a member of the front's secretariat, opened the conference, saying: "The front's cadres, more than 300 in number, are a tremendous militant human force united by a common goal and a path of struggle and readiness to give in service to their people."

The secretary of the Yafa/al-Nasirah Democratic Front, Lawyer Walid Khaliliyah, then gave a report about the front's activity in the period just ended and an outline of the program for the coming period. He said, "Yafa/a-Nasirah, the fighting village with noble traditions and in which the front's line of militant alliance has been victorious since the mid-sixties, has a prominent role in the struggle of our people and in the general Jewish-Arab democratic struggle in the country." He added, "Front members recognize the leadership role of the Communist Party. At the same time, an

atmosphere of trust, cooperation, and respect has always prevailed in the life of our single front, because we are all brothers and partners in a common cause."

He said that the election of As'ad Yusuf as chairman of the local council session after session by the people of Yafa and the election of a front majority to run this council is a badge of honor for Yafa/al-Nasirah and proof that our front is worthy of high popular trust. He said, "We are proud that the 'Neutral List' and 'List S' amalgamated with our front, the frame for all sincere and honorable people in our village."

The secretary of the front called for more powerful and more diligent organizing, special attention to involving women, half of society, in the life and leadership of the front, planning of activity among young people, and vigilance and watchfulness to protect the national unity of all people of the village.

Salim Jubran, a member of the front's regional secretariat, presented a lecture about the international and regional political situation. He asserted that the unity session of the Palestinian National Council was a historical gain for the Palestinian struggle, a fatal blow to imperialistic solutions, and a defeat to the forces of division and running after the mirage of American solutions. Therefore, while we rejoice in this wonderful gain, all who breathed the air of division are stifling.

Salim Jubran presented a review of the domestic situation and of the problems and battles being embarked upon by the Arab masses with the broadest unity of ranks. He said, "The experience of life proves the correctness of our path and method. Life itself confirms that there is no path but the path of nationalist and front unity of ranks."

The president of the front, Local Council Chairman As'ad Yusuf, presented a rich report about the activity and achievements of the council, including building three elementary schools, establishment of a modern secondary school, paving of village streets, basic development of health and public sanitation services, contracting for establishment of a sewer network, preparation of a structural map, development of municipal sports and youth services, improving the internal operation of the local council apparatus, and agreeing officially on establishment of a Sick Fund clinic in the village.

He said, "We have accomplished all this in the shadow of a policy of financial constriction by cooperation with the people and by making use of the power of voluntary labor."

As'ad Yusuf stated, "The front's leadership of the council and of the town is a very deeply rooted and very natural reality, but it was achieved through long and hard struggle, from the days of the collision with the military government, to the comprehensive struggle for repeal of the 'head tax,' to defense of the land, to leading the workers in their fight, and up to the present day." He said, "In 1964, we succeeded in constructing a broad alliance list. Since that time to the present, the council has been in

trustworthy front hands." He said, "We are proud that the 'Neutral List' and 'List S' have joined the front, which now has an absolute majority in the council.

He said, "The noncommunist colleagues have praised the Communist Party's leadership role locally and regionally. We are proud of this confidence. At the same time, we state that the front is not a party and that our brothers are distinct from party members; they are brothers and partners with the communists in a framework of mutual respect and complete cooperation. The natural place of everyone interested in the welfare of his village and people, of everyone interested in the general welfare, without regard to his intellectual views and class origin, is the front. We are proud of the academics, secondary and primary school teachers, college students, merchants, and professionals who are partners with the workers and peasants in the front. This wealth of developed professional abilities is a source of strength for the front to carry out and deepen its role." He added, "The unjust government is lying in wait, and the Zionist parties are practicing cunning. There is a reactionary center in our society. We must focus all our struggle against the unjust government and work at the same time to thwart all attempts to separate and fragment. We must guarantee the real and effective participation of women, half of society, in our front and in the life of our people."

As'ad Yusuf said, "When we see the political and social development of our village, we are very proud. But the trust we bear is to continue working, serving the people, and developing their consciousness, so as to make the residents rally more around our local and regional front."

Afterwards, there was a discussion in which a large number of members participated, contributing important additions to the statement and personal suggestions for developing the activity of the front and for developing municipal, political, social, and cultural activity.

As'ad Yusuf, chairman of the front, summarized the discussion. The conference then unanimously elected As'ad Yusuf chairman of the front, Riyad Khury deputy chairman, and also elected a new directing board, which will in turn elect the secretariat and a secretary

Lawyer 'Issa Bisharat then moved resolutions on the following subjects:

--Calling on the people of Yafa/al-Nasirah to join the ranks of the front and rally around it.

--Sending greetings to the Democratic Front for Peace and Equality, and expressing approval of the role of the front bloc in the Knesset and Histadrut.

--Sending an expression of esteem to the Yafa/al-Nasirah council and continuing to support it in all areas.

--Sending a May Day greeting to workers, and calling on them to participate in the May Day festival in Yafa (30 April 1987) and in the May Day demonstration in al-Nasirah.

--Sending greetings to the unity session of the Palestinian National Council.

--Sending greetings to the Regional Committee to Defend the Land, as well as to the regional committee of chairman.

--Solidarity with Jewish and Arab university students against raising educational fees, and sending a greeting to Arab students and their regional union who are valiantly resisting all racist measures.

--Municipal and popular solidarity with Umm al-Fahm against plans for confiscation and shrinking the region of authority and against the criminal plan to demolish the majority of houses in the 'Ayn Ibrahim quarter, as well as council and popular solidarity with the village of Bayt Jann.

--Disapproval of the unjust government's digging up of graves in the cemeteries of Yafa and 'Ayn Hawd; demanding the freeing of the mosque of Beersheba, so that it can again become a place of worship, not a museum, as at present; disapproval of the racist attack on the cathedral church of Acre, and demanding that the identity of the criminals be uncovered and that they be tried and subjected to deterrent punishment.

The conference approved all these resolutions.

12937/13104
CSO: 4404/363

DEMONSTRATION TO PROTEST CONFISCATION OF LAND

Haifa AL-ITTIHAD in Arabic 27 Apr 87 p 6

[Article by Suhayl Qablan: "Demonstration Today in Front of Prime Minister's Office by People of Bayt Jann and Those in Solidarity With Them, Crowded Meeting and General Strike in the Village in Preparation for the Demonstration"]

[Text] At 9 a.m. this morning, Monday, 27 April 1984, the people of Bayt Jann and delegations of support and solidarity from our various villages will begin to flock to Jerusalem to participate in a popular demonstrations in front of the prime minister's office, protesting attempts to confiscate the land and rights of the village, which has been on strike continuously for 3 weeks, and to express the people's determination to continue the struggle and escalate it until they obtain just rights.

Local Council Calls for Strike

Furthermore, at the conclusion of an extraordinary session held by the local council of Bayt Jann yesterday, it was decided to call the inhabitants of Bayt Jann to a 1-day general strike in the town, to guarantee the success of the demonstration by the participation of the largest possible number of the people in it.

In the framework of the strike, all facilities in the town will stop operating: schools, stores, institutions, and activities. Workers will refrain from going to their jobs.

Broad Participation

We have learned that a number of heads and members of local governing authorities will carry out the call of the regional committee for leaders to participate in the demonstration in solidarity with the council and people of Bayt Jann and their just struggle.

Crowded Popular Meeting

At the call of the local council and in preparation for the demonstration, a crowded popular meeting was held yesterday, Sunday, in the courtyard of

Elementary School B in the village. Hundreds of the people of Bayt Jann attended.

The first of the speakers was local council member Jamil Qazamil, who mentioned that discrimination against Bayt Jann is taking place in various areas. He stated, "We will not yield one atom of soil."

The principal of the intermediate school, Jamal Qablan, then spoke, saying, "Our response to the injustice done to us is to escalate the struggle, which will be embodied in tomorrow's (i.e., today's--editor) demonstration."

Jamal Zaydan, the third speaker, stated that the Nature Protection Department is a government agency. Therefore, the government is responsible for this agency's harassments. The time has come to raise a loud outcry.

Lawyer Sa'id Naffa', president of the committees of friends of affairs of students in the village schools spoke saying that the students of all the schools of Bayt Jann will boycott classes beginning on the 28th of this month. The strike will continue as long as the government persists in refusing to acknowledge the rights of Bayt Jann.

While Council Member Sa'id Zaydan expressed the unanimous agreement of the people of the village that unity is the way to gaining rights, Shaykh Wahhab Harb gave his blessing to the steps taken by the council in the struggle and the stand of the people of the village.

A member of the council from the front, Qasim Naffa', said, "Although 2 weeks have passed since the beginning of the strike, we have heard nothing but wretched summaries from the authorities, in order to break the unity of our ranks. Far from it! Neither summaries nor lying promises will be able to deceive us."

The last speech was by the head of the local council, Shafiq As'as, who informed those present of the progress of matters and refuted the claims of Qal'aji, the governor of the Northern District. He stated that the council and citizens of Bayt Jann would never accept the distorted structural map the government is trying to impose, and that the council and people would untiringly defend their rights to life and development.

As'ad attacked the yellow press that is blaming the Bayt Jann local council and the people of the village. He called for the widest mass participation in the protest demonstrations.

Solidarity Delegations

Yesterday, a delegation from the Abu Sinan Democratic Front--including members Nadim Musa, Salman Marzuq, 'Ali Hazimah, Salim Khuri, and Talal Musa--paid a solidarity visit to Bayt Jann. Also, the head of the local council received a number of telephone calls in support, in the course of which the speakers expressed their readiness to take part in the demonstration.

FINANCE MINISTER DESCRIBES STRATEGIES, GOALS

London AL-TADAMUN in Arabic 25 Apr-1 May 87 p 45

[Interview with Finance Minister Jasim Muhammad al-Khirafi by Husayn Salamah: "We Are Diversifying Our Investments in Order To Distribute Their Risks"]

[Text] When Jasim Muhammad al-Khirafi assumed the portfolio of the Kuwaiti Ministry of Finance, Kuwait was passing through the peak of its economic crisis. The al-Manakh market crisis had reached its zenith and the crisis of intractable debts was almost beyond solution. There were no early signs on the horizon indicating that there would be a solution to the state of sluggishness and recession that had befallen the Kuwaiti economic condition unless the government intervened by opening up its coffers. Therefore, the Kuwaiti government put the economic crisis at the forefront of its priorities. Minister al-Khirafi is one of the experienced economics figures in Kuwait. As well as being a first class economist in the private sector in the first place, he has held the position of chairman of the financial committee in the Kuwaiti National Assembly (parliament) and has successful experience in introducing improvements in sections of the government of Kuwait's general budget.

AL-TADAMUN-BUSINESS met al-Khirafi and held a discussion with him on Kuwaiti, Gulf, Arab and international economic conditions. In the course of it the minister did not rule out Kuwait's transformation into an investment market toward which foreign capital would turn and stressed that the economic cooperation it has realized in the context of the Gulf Cooperation Council still falls short of people's aspirations, that it is possible to establish real Arab cooperation if political disputes are removed from this cooperation and that America must view the interests of the countries connected to it in its attempts to remedy the economic difficulties it is suffering from. Herewith is the text of the interview:

[Question] To what extent have the measures you have taken to remedy the economic crisis succeeded?

[Answer] These measures have been sufficient for serving the stage on whose behalf they were set out and the future stages will require other ones.

Therefore, we will continue to take suitable measures to deal with all economic issues in a comprehensive manner.

[Question] Do you believe that the qualitative improvement which the securities market is witnessing is sufficient to get the mechanism of the Kuwaiti economy moving insofar as the al-Manakh market crisis put a halt to the movement of this mechanism?

[Answer] The most important basic ingredient in getting the economy in movement is that its movement be comprehensive and not restricted to the revival of the securities market. That is what the Kuwaiti government is striving for. The treatment of all sectors is connected to the economic cycle, and the program for remedying the crisis of intractable debts whose execution is now in its final stages will primarily help stability and confidence in the area of the proper prosecution of economic activity and the continuation of the economic cycle in a manner which will have the effect of reviving all sectors. It is not so much a matter of measures as it is the treatment of the various sectors related to the Kuwaiti economy through Chapter Four of the budget, which will have the effect of reviving industry, crafts and construction in addition to commerce in general. The constant, as far as we are concerned, is for expenditures from the budget to be programmed and based on the desire for the monetary cycle to remain in the local context and for there to be confidence in the continuity of programming so that the economic sector will be able to set out a plan for government projects.

[Question] Is there a possibility of doing without oil as a basic source of income in the Kuwaiti strategy, if need requires? To what extent can Kuwait rely on an alternative to oil?

[Answer] Oil as output alone, without reliance on oil products, will be unfeasible. One of the good points of the wise Kuwaiti policy is that it has followed an oil policy whose positive features have begun to appear and whose fruits we have now started to reap, at a time when the oil market is suffering from instability. The talk about an alternative to oil leads us directly to a discussion concerning the proper use of our investments, and one of these investments might also be the good alternative we have chosen, which is the area of oil products and expansion in it.

[Question] What about extension of the investment base to China and the Soviet Union, and the relationship between that and investment dangers?

[Answer] Our activity in the area of investment in China is actually underway, and there are some results which we have realized. These investments are connected to oil activity. They include other investments which we managed to direct on my recent visit to China. Our tendency toward diversifying the locations of our investments in America, the West, China and the Soviet Union will have the effect of distributing the dangers which threaten foreign investment in general. The distribution of such risks is a technique for dealing with many features of them which might occur. Therefore we have turned to diversifying the various investment portfolios in many countries of the world.

[Question] The Kuwaiti banks are suffering from the crisis of accumulating liquidity due to recession, which is limiting the possibility for investing this liquidity in the local market. What is the solution?

[Answer] I still believe that Kuwait is one of the most secure areas for investment. However, there is a Kuwaiti proverb which says, "Whoever has been bitten by a viper fears the rope." As a result of what happened due to the al-Manakh crisis which occurred in 1982, whose aftereffects we are still sorting out, investors are still acting with great wariness. In my opinion, when confidence returns to the investors, and when they sense stability in the local market, they will start moving. I firmly believe that this movement has begun and we witnessed its manifestations in the recent past stage. It will increase the more confidence in the measures followed increases.

[Question] Do you believe in the possibility of turning Kuwait into a market attracting foreign capital?

[Answer] I do not rule it out that Kuwait will be transformed into an investment market to which foreign capital will turn. What is being studied now as a long-term plan is related to Kuwait's economic course so that the executive authorities will have a clear conception of the future with respect to the desired orientations of the economic course and the means for carrying it out and supporting productive and commercial activity.

[Question] What is the scope of your evaluation of the steps the Gulf Cooperation Council has taken in the area of economic cooperation?

[Answer] These steps are still inadequate and fall short of our aspirations. However, it is necessary to stress the determination the Cooperation Council countries are showing to achieve the optimum rapprochement among their economies. There are some negative features as a result of the various circumstances particular to each country, but the wisdom and policy of their majesties and their excellencies the presidents of the Cooperation Council countries will guarantee that these negative features are remedied through the basic principle of this gathering, which is programmed progress without the exercise of coercion on anyone on its behalf, because what it is difficult to carry out today [will have to wait] until reconciliation of the suitable circumstances for realizing it in a collective manner.

If we compare what the Cooperation Council has carried out in this short period of its life with the European Common Market countries, since whose convergence about 20 years have elapsed, it will become apparent to us through this comparison that the experience of the Cooperation Council countries is serious and successful, since the European market countries are still suffering from the circumstances we are suffering from, and if we are indeed to judge our accomplishments for this period as good ones, our aspirations are greater than what we have achieved.

[Question] Where are the regional interests from the standpoint of economic cooperation among the Cooperation Council countries?

[Answer] I personally believe that any sacrifice on the part of any of the council countries will yield results much greater than the sacrifice,

because the future favors a convergence of the peoples of this region on the basis of their common interests. In my opinion, the lofty goal of their majesties and excellencies for this group is concern over the future of the region through the unification, convergence and development of the interests of their peoples.

[Question] Do you believe in the possibility of realizing real Arab economic cooperation?

[Answer] In my opinion, yes. In order to realize this, it is necessary to remove personal political disputes from this area.

[Question] What is the fate of Arab economic organizations which have turned into an economic burden?

[Answer] These organizations must be one of the major instruments for realizing true Arab economic cooperation, if they are to succeed in realizing the goal for whose sake they were established.

However, the existing situation is the opposite. Most of these organizations are totally remote from the goals which they were established for and they have become a great burden. The greatest financial burden goes for salaries and wages, while appointments to leadership centers there assume a political character whereas the goal for whose sake they were established is lost as soon as their financing ends, then thinking begins on the establishment of new organizations. This has created many negative features, most important of which have been the similarity of economic goals, the expanded disbursement of salaries and wages and the lack of seriousness in decisions.

In spite of all that, I consider that a final ray of hope might be lost if these organizations are not properly exploited. This initiative is what we are aiming at through a re-evaluation of these organizations: an eighth Arab ministerial committee which was formed at the meeting of the Unified Arab Economic and Social Council in Amman is in charge of carrying it out. This committee met in Washington on the sidelines of the World Bank and International Monetary Fund meetings. A followup committee of experts and Arabs was formed under competent chairmanship on the part of the best of our competent Arabs, who is Dr Salim al-Huss, the Lebanese minister of education.

[Question] What about investment in the Arab countries?

[Answer] The most important obstacles to investment in the Arab world include the proliferation of laws in these fraternal countries and the proliferation of bodies responsible for their execution and interlinkage, and consequently the accumulation of negative features facing the investor.

QABALAN SUPPORTS KARAMI, NEGOTIATION WITH SYRIA

Beirut AL-SAFIR in Arabic 9 May 87 p 3

[Article: "The Islamic Mission Scouts' Dinner at the End of the Fast: Qabalan: On Karami's Side against Falsehood"]

[Text] Yesterday the Society of Islamic Mission Scouts held a dinner party at the end of the fast in its headquarters in the Garden of the Martyrs in the southern suburbs, attended by the minister of state for the affairs of the south, reconstruction and justice and the head of the AMAL movement Nabih Birri, the eminent Ja'farite mufti Shayk 'Abd-al-Amir Qabalan, the deputy Zahir al-Khatib, the chairman of the council of the south Dr Muhammad Baydun, Shaykh Hasan Tarad, the Iranian charge d'affairs in Lebanon Mohammad Nurani, a gathering of scouting and social figures and a number of members of the AMAL movement political bureau.

A number of speakers talked at the party. The poet Khalil Shahrur read a poem. Mufti Qabalan then spoke on the occasion, and said, "I am happy to stand in the embrace of this honored club on one of the holy nights of blessed Ramadan. We are meeting with you, and the meeting itself, this meeting which the brothers in the noble, pioneering, self-sacrificing society which has sought to bring together this night all the scouting organizations in Lebanon have prepared, is beautiful and good and replete with recompense and reward, as we are going through difficult circumstances."

He went on, "We wish our nation well and hope is with God and the concern of devout persons, guides and sincere persons. How often have I hoped that this meeting would be at the al-Sadr organization in al-Burj al-Shamali, where the scouting and the AMAL movement set forth, so that we could give our people perseverance and strengthen their determination."

He said, "Israel wants to eliminate the self-respect, concern, determination and ambition within us and through its repeated attacks against the Palestinian camps in the south wants to tell the world that the people mounting the resistance are not Lebanese but Palestinians. If the Palestinians have a holy war that is very paltry relative to the activity of our people in the south."

Qabalan stressed, "We must not stand with our hands tied in the face of the Israeli attacks on the 'Ayn al-Hilwah camp and we must not live with empty

media and slogans. The resistance does not want oversight from anyone. Its oversight is from God and the learned men and it does not need the oversight of the Liberation Organization."

He said, "We are the front of resistance and perseverance. You in the AMAL movement and the resistance are the front of resistance and perseverance against Israel. You must build societies on the love of God and enmity to Israel. We in Lebanon are passing through a sacred condition, the condition of holy war, which is one of the gates to paradise. If we fight, resist, struggle and stand in wait for all tyrants, that is a great honor which we have inherited from our fathers and grandfathers."

Qabalan added, "We in Lebanon as Moslems have a firm relationship with Moslems in the world, especially in Iran, that republic which stands up to all attacks of tyranny, and we in Lebanon are standing up to the greatest tyrant in history."

He addressed himself to the domestic political situation and said, "In Beirut there are concerned persons in the cabinet. Poor Premier Karami -- the workers struck for 3 days and the result was a strike against Karami. Karami does not have a military organization and we want to be on Karami's side, because if there is falsehood against a person we are against falsehood. It is amazing how Karami is being attacked from the East, and here he is being attacked on his side from the West. Why is he being attacked? Is it only just because according to what they believe he requested the Syrian advent into Beirut? Who of us does not want the Syrian advent into Beirut? I am asking for the Syrian advent now, by force, into the southern suburbs."

The Friday Sermon

Mufti Qabalan gave the Friday sermon yesterday from the pulpit of the al-Imam Husayn Ibn 'Ali mosque. Its contents included:

"We in this blessed month must measure up to responsibility, especially since during the month of Ramadan last year we suffered from killing, destruction, sabotage and dispossession. This blessed month, however, we are being blessed by a degree of security and stability, which we aspire to spread about so that it will encompass all of Lebanon and the Lebanese people will be graced with reassurance and a dignified life.

"We in the blessed month of Ramadan, the month of blessing, bounty and good fortune, must demand that the affluent help the poor who are being damaged by hunger because of the state of rampant inflation and the war of starvation which is being launched against the good Lebanese people of all factions in the other Lebanese areas. Help from the rich to the poor is an obligation in religious law which God has ordered from his worshipers, especially in the blessed month of Ramadan.

"The tragic state of life of course is the result of the political situation under which the nation and the citizen are laboring, since the struggles, disputes and contradictions have reached their peak. It is as if the goal in all this was to bring Lebanon the nation and the people to the abyss, that

is, to annihilation. That is what we will not accept at all. Proceeding from this fact, we must consider the politicians in this country wretched toward themselves because of their complication of the crisis.

"The attack directed against Premier Karami is being carefully studied and directed by suspect agencies. In spite of that, Premier Karami has resigned. When he resigned they accused him of evading responsibility and at present they are making recourse to having him come back to the cabinet. I can say that Premier Karami must come back to the cabinet only when the final solutions to the political and economic conditions and conditions of living, from the opening of the transit points to the closing of the ports and the promotion of Lebanese-Syrian negotiations, are laid out. We also are against assigning him to dispose of government activities.

"We demand that everyone go to Syria to hold the Council of Ministers there. Let Samir Ja'ja' also go if he declares his repentance, like Ili Hubayqah.

"This stage in whose throes we are living today must motivate the consciences of all to save the nation from partition and fragmentation and save the people from famine, because the war of starvation is almost eliminating these good people through these policies and disputes among the various Lebanese leaders, since the Lebanese citizen is paying the price for these struggles through his life, his living and his daily bread and these leaders are sitting on their thrones and watching these people's tragedy. We tell those who demanded the resignation of Premier Karami and promised that when the resignation was announced they would open the transit points, close the illegal ports and open the airport and the dollar would decline, that conditions nonetheless are becoming more tragic. They even accused Premier Karami of evasion when he submitted the resignation. What do they want? Do they once again want monopoly control over these people, or do they want to deal with Israel in order to break the country up and annex it to the Zionists? We tell them that it is Israel which has destroyed the nation and has inflamed the spirit of fighting and mutual slaughter among Lebanese in the mountains and elsewhere. It is the one which is striving to swallow up Lebanon, preparatory to dividing up the Arab region and eliminating Christians and Moslems. Therefore we tell these people, you have gambled on Israel enough, and it will not side with you for long, because the Zionists are the enemies of Islam and Christianity.

"The south is suffering today from hostile Zionist aggressions against the territory and people which are aimed at turning the south, the whole south, into a scorched earth devoid of life. At the same time, the citizens of the south are suffering from a severe living crisis and the aid which is provided by Arab and foreign countries is not fairly distributed to the citizens, especially since no development or supply aid has yet reached the border strip. Here we must salute the great, laudable efforts of Mr Rafiq al-Hariri, the honorable doer of good deeds who has spared no opportunity to be alongside the poor and deprived of the Lebanese people, offering them aid and assistance. Therefore we request this honorable doer of good deeds to devote his attention to the border strip, because the citizens there are fighting Israel and persevering on their land, in spite of the techniques of seduction and terror pursued against them by the Zionist enemy. One should

bear in mind that the people of the border strip stubbornly reject the aid the Israeli occupation forces offer them and they are as badly in need of the aid as can be. Therefore we request the humanitarian, international, Arab and international organizations to work to strengthen the resistance of the southern citizen on his land by providing the wherewithal for perseverance.

11887

CSO: 4404/364

JUMBLATT VOWS TO FIGHT ON, CALLS FOR SYRIAN SUPPORT

Beirut AL-SAFIR in Arabic 11 May 87 p 2

[Article by Khaldun Zayn-al-Din: "Celebration of the Anniversary of the Martyrs of the 1958 Revolution: Jumblatt: We Will Continue To Fight and Will Not Retreat until We Crush the Necks of the Phalange"]

[Text] The chairman of the Progressive Socialist Party, the minister of works and tourism, Walid Jumblatt, went to Damascus demanding "a way out of the settlement labyrinth" and the opening of the weapons stores belonging to the party.

This appeared in a statement Jumblatt gave yesterday noon at a celebration held in the Square of the Martyrs of 1958 in the town of Biq'ata on the occasion of the 29th anniversary of the 1958 revolution.

Attending the celebration were Spain's ambassador to Lebanon, Emanuel De Artigue, a delegation from the Palestine Liberation Front headed by Muhammad Yasin, a delegation from the Palestinian Communist Party including Abu Yusuf and Abu Husayn, Dr Fawzi Abu Dhiyab, Progressive Party political bureau members Anwar al-Fatayiri, Na'im Ghinam, Dr Khalil Ahmad Khalil, Hisham Nasir-al-Din and Wahbi Abu Fa'ur, delegations from the nationalist parties, the secretary of the civil administration Dr Dahir Ghandur heading a delegation from the executive committee of the administration including Shaykh Hafiz 'Atallah and Eng Bahij Abu Hamzah, the secretary of the Progressive [Party] region Dr Zahir Abu Shaqra, the security police commander Khalid al-Batadini, the commanders of the sectors of the revolutionaries of 1958 and residents.

On his arrival at Biq'ata with the Spanish ambassador Jumblatt received the submission of the corps of the revolutionaries of 1958, who reiterated the following:

"Our work is the cauldrons, our work, from the big among us to the small, is either death or a life of honor: we protect those who protect our homes."

The celebration began with a statement by 'Asim Husayn, then a poem by the commander of the Wadi al-Tim sector, Najib Rizq, and a second poem by Hasim al-Hasaniyah.

Jamil Sa'd al-Din made a statement for the revolutionaries of 1958 and said, "Revolutionaries of 1958 and old men of today, people who bore weapons yesterday and bear them today and tomorrow, we are celebrating the anniversary of the unleashing of the revolution as joy floods our hearts, and a great feeling of pride and honor possesses us when we once again remember the days of the Arab people's revolution of 1958, the day the revolutionaries rose up in response to the call, crying out, 'Hear us, teacher, we have declared the revolution against corruption, tyranny and isolation.'"

Jumblatt's Statement

Then Jumblatt made the statement whose text follows:

"This is a great day in which we meet in these progressive nationalist Arab ranks, in which we meet with the grandchildren of Sultan Pasha al-Atrash, Jamal 'Abd-al-Nasir and Kamal Jumblatt. It is a great day in which we honor the martyrs who fell in confrontation with the foreign alliances and in confrontation with exploitation, theft and the factional system in 1958. Here we are today meeting with these heroes and telling these heroes, You have done well, and here your sons are in the liberation army, in the security police and in the sectors performing the duty, the duty of fighting the foreign alliances and the duty of fighting feudalism and exploitation.

"We tell al-Jumayyil, whether he goes to Damascus or not, and we tell al-Jumayyil, whether he sends suspect delegations of murderers to Damascus or does not, none of that concerns us. We are here, we are the grandchildren of Kamal Jumblatt and Sultan Pasha al-Atrash.

"We are on this land, we will remain and we will fight, and we will not retreat until we crush the palaces of exploitation, theft, destruction and murder, until we crush the necks of the Phalange, headed by Amin al-Jumayyil. I only tell you, my brothers and my comrades in Damascus, the time has come for us to emerge from the labyrinth of settlements. Give us the weapons, the weapons of war, the weapons of the sons of Ma'ruf, give us the weapons. This is your duty and this is our right. We have fought in the name of Arabhood, we have fought in the name of Palestine, we will remain on this land. They are the agents of colonialism, the West and Israel. The time has come for the stores to be opened, the party's stores, the party's weapons, the weapons of the sons of Ma'ruf, the weapons of Jamal 'Abd-al-Nasir, the weapons of Kamal Jumblatt.

"That is what I wanted to say today, and we know that with arms or without them we were a small group of men at that time and we won in 1958. Once again, following the Israeli invasion and during the Israeli invasion, we were a small group and a few and we won thanks to our faith and our Arabhood, thanks to our adherence to this good pure land, thanks to this wisdom which manifested itself through the paramount sheykhs, thanks to our having not committed aggression against anyone: but on this land we will remain and we will remain always."

The celebration concluded with a visit to the mausoleum of the martyrs and their families.

It should be pointed out that Jumblatt has had the Spanish ambassador as his guest at al-Mukhtarah since the day before yesterday evening.

11887

CSO: 4404/364

TRADE NEGOTIATIONS WITH SAUDI ARABIA DELAYED

Beirut AL-SAFIR in Arabic 13 May 87 p 6

[Article: "New Conditions for Lebanese Exports: Saudi Arabia Hesitates over a Date for Negotiations for a Trade Agreement To Replace the Former One"]

[Text] It has been learned that the commercial negotiations between Lebanon and the Kingdom of Saudi Arabia, which were postponed last March, are still pending until a date is set by the Saudi government for initiation of the discussion of the new commercial agreement between the two countries.

Industrial sources told AL-SAFIR "The Ministry of Foreign Affairs and Expatriates has received a telegram from the Lebanese embassy in Jiddah, the gist of which is that the government of the Kingdom of Saudi Arabia is still hesitating in determining a new date for the negotiations although about 3 months have passed since the termination of the commercial agreement. The Lebanese party had hoped for negotiations before the end of the agreement, which either would renew it with some amendments which the Saudi party might request or carry out a new agreement which would begin to be in effect as soon as the old one terminated."

Other sources connect the difficulties Lebanese exporters are suffering from on the Saudi borders in bringing their goods in to the hesitation on the Saudi government's part in negotiating the new agreement. That is an agreement which will have political features related to the general situation in Lebanon and economic features pursuant to the development of some classes of Saudi industry for which equivalents existed in Lebanese exports to Saudi Arabia.

After the Saudi authorities last week prohibited the entry at their borders of Lebanese goods on which export agreements had been signed -- goods consisting of ceramic tiles, health equipment products and rugs -- on the argument that "radioactive materials were present in them," the Saudi government added a new condition to Lebanese exports to Saudi Arabia, demanding that they be shipped in closed iron trucks.

The chairman of the Society of Lebanese Industrialists, Dr Fu'ad Abi Salih, who declared the news of the new measure yesterday, said that this would

have the effect of reducing the volume of the load of the trucks and increasing the cost and described the measure as being "not directed against Lebanon but one of the difficulties to which the export process is exposed."

In a statement he made yesterday, Abi Salih wondered "When will we arrive at some sort of firm belief that the subject of exports to Arab countries requires special political attention on the part of Lebanese officials so that these obstacles may be reduced? For this reason it is necessary to form an official delegation under the chairmanship of a minister which will circulate among the Arab countries, especially Saudi Arabia, to coordinate with them regarding everything these countries and the fraternal country of Saudi Arabia request with respect to specifications or export conditions alike, because Saudi Arabia's lack of an embassy in Lebanon makes the process difficult and slow. Therefore this delegation ought to be formed in order to eliminate everything that might obstruct export operations."

The union of chemical plant owners for its part agreed to the specifications the government of the Kingdom of Saudi Arabia spelled out for Lebanese industrial exports and formed a special committee to offer advice to the manufacturers of chemical products.

The union of chemical plant owners met under the chairmanship of Jacques Sarraf. The following resolutions came out of the meeting:

1. With respect to the specifications Saudi Arabia has set regarding detergents and shampoos, the union has considered that these are standards specifications which it intends to consolidate with the Lebanese specifications, bearing in mind that Saudi Arabia will start to apply these specifications as of next 1 September. The union will soon hold a meeting for this purpose with the director general of Alfred Dibs Industry and the chairman of the Lebanese specifications and standards organization, Eng Baha'-al-Din al-Basat, to sign a joint contract between the organization and the union to obtain a badge of correspondence certificate.

Therefore the union requests all its members who export to Saudi Arabia to contact it to prepare such contracts.

2. The union requests the officials who are working in the field to reduce the burdens on consumers by facilitating the passage of consumer goods through the barriers that exist among regions or eliminating all obstacles to them.

3. The union has decided to establish a social solidarity committee by asking all its members to submit consumer goods that are the products of the factories with the goal of offering them to philanthropic and humanitarian societies. The first quantity of such products will be delivered to the people's food organization which [former] President Charles Helou heads.

4. The union has decided to sign a collective agreement between the union and employees in chemical factories and private insurance companies to cover the costs of treatment for all employees.

NAYIF DISCUSSES ISLAMIC RULE, USSR, DRUGS, IMAGE ABROAD

Riyadh AL-RIYAD in Arabic 30 Apr 87 p 7

[Interview with Prince Nayif ibn 'Abd-al-'Aziz, minister of interior by Ahmad Abu Dahman: "In Interview with 'ARABIYAT Magazine Published Jointly with AL-RIYAD, Prince Nayif Says, 'Islamic Law Determines Relationship between Ruler and Subjects in the Kingdom; State Believes that Direct Contact between Ruler and Subjects Works Best; That Is Why Assemblies Are Open to Citizens; We See Open Assemblies as Normal and Ordinary; This Is What We Practice; the Kingdom Feels Its Major Mission Is To Prove to the World That Establishing an Islamic State Is Possible in this Day and Age and That Such a State Does Actually Exist; in Some Western Countries Arabs Are Facing a Vicious, Unjust Campaign Accusing Them of Terrorism';" in Paris; date not specified]

[Text] His Royal Highness Prince Nayif ibn 'Abd-al-'Aziz, minister of interior, affirmed that it is Islamic law that determines the relationship between ruler and subject in the kingdom. Islamic law settles every matter which concerns a citizen of the kingdom or one of its residents. His excellency added that regulating the aspects of this relationship was necessary and that that was accomplished by laws which are decreed by legislative and executive authorities. His excellency said that it is from these premises that real and actual ties develop between a ruler and the subjects. It is also from such premises that direct dialogue between them develops. His excellency said that the state and its leaders believe that direct contact between a ruler and the subjects works best and that it is the best method. That is why assemblies are open to citizens every day so they can contact officials.

In an interview with the French language 'ARABIYAT Magazine which is published in Paris--that interview is also being published in AL-RIYAD--his excellency said, "We view open assemblies as normal and ordinary. Although this practice may be unknown to others, it is what we practice." His excellency said that the kingdom feels that its major mission is to prove to the world that establishing an Islamic state is possible in this day and age. In fact, such an Islamic state does exist. The text of the interview with his excellency follows.

[Question] Your excellency, you visited France as Saudi Arabia's minister of interior, and Mr Charles Pasqua, France's minister of interior, visited the Kingdom of Saudi Arabia. Prince Nayif, these mutual visits indicate that there is cooperation or coordination on security between the two countries. Can you define for us, Your Highness, the points of this cooperation?

[Answer] Cooperation between Saudi Arabia and France is a well-known and clear fact. It is taking place in numerous areas, and security is one of those important areas. As a friendly country France did actually prove its willingness and its desire to cooperate with the kingdom in all areas, and that is something that the Kingdom of Saudi Arabia appreciates.

This cooperation is not new. It was when I visited France in 1978 that we started outlining this cooperation. Then France's interior minister visited the Kingdom of Saudi Arabia in 1980, and it was then that we defined and agreed upon those areas of cooperation. This cooperation between France and the kingdom has been continuing since then, and we are finding out that our French friends are responsive and quite willing to work with us.

The purpose of my visit to France late last year and the purpose of Mr Pasqua's visit to our country last month was to boost this cooperation. We want to benefit from our friends' experience and technical capabilities in developing security systems in the Kingdom of Saudi Arabia.

[Question] Despite the close contacts between the West and the Kingdom of Saudi Arabia, European citizens and the European media still get confused about the government system in the kingdom as compared to well-known systems of government in the West. Can Your Highness offer the West a clear picture of the system of government in the kingdom and how it works?

[Answer] The kingdom of Saudi Arabia has an Islamic government which is derived from Islamic law, which is the law of the land in Saudi Arabia.

It is the canonical law of Islam that governs the regime and sets it in motion; it determines the relationship between a ruler and the subjects; and it settles every matter which concerns a citizen of this country or one of its residents.

Naturally, regulating aspects of these relations is necessary, and that is done by laws which are decreed by legislative and executive agencies. These laws, which are then issued by royal decrees, are based on the magnanimous spirit of Islam, on Islamic values and on the Arab heritage which the Kingdom of Saudi Arabia has preserved.

It is from these premises that true and actual ties develop between a ruler and his subjects and direct and continuous dialogue between them is fostered. The state and its leaders believe that direct contact works best and is the best method of communications between a ruler and the subjects. That is why assemblies are open to citizens every day so they can communicate with officials, especially the king, his crown prince and all officials. Thus officials can get to know first hand what citizens are interested in and what they are aspiring for.

We view this practice as something normal and ordinary. Although it may be unknown to others, to us it is what we do. If we were to compare the Kingdom of Saudi Arabia with advanced countries and with other countries in the region, we would find that the Saudi system is one of the most stable in the world, and we thank God for that. It is an indication of this government's stability, and it

is an indication of the growth which has taken place in Saudi Arabia since the kingdom was founded by King 'Abd-al-'Aziz. And the kingdom is always making progress.

The Kingdom of Saudi Arabia feels that it is carrying the burden of a major mission and that it has to prove to the whole world that it is possible for an Islamic state to exist in this day and age. Such an Islamic state does in fact exist. Unfortunately, however, we find rejection for this notion in the whole world, and even among some Muslims, and that hurts.

We strongly feel and believe that sincere Muslims and sincere Arabs are our partners in the effort to make this state succeed. We could thus prove to the world that Islam is capable of solving the problems of the age and that it can forge and create an ideal state.

If we succeed, and we hope we will, then we will have achieved what we have been hoping for. If we do not, God forbid, then we would like to say that the fault lies with us, humans. We would say that the failure is not attributable to the failure of Islamic law or to any imperfection in it.

[Question] Regarding the canonical laws of Islam, it has been noticed that Amnesty International occasionally talks about the Kingdom of Saudi Arabia. That organization objects to procedures and penalties that are derived from the kingdom's religious laws. Can Your Highness explain to us the points about which there is disagreement between you and the organization?

[Answer] Before I answer this question, I would like to thank you for bringing it up because this is a sensitive and important issue, and we want to give the answer that we believe in.

First, it is assumed that an international organization such as Amnesty International would be knowledgeable about all laws, systems and constitutions, and that it would be familiar with such laws, especially Islamic laws.

If this organization's objection to the Kingdom of Saudi Arabia is based on its view that the kingdom violates Islamic laws, then we would be willing to talk about the matter and to discuss it with the organization until it can be determined whether we are right or wrong.

Muslim scholars as well as non-Muslims who are knowledgeable about the canonical laws of Islam and who studied them would make that determination.

But if our government is a proper Islamic government, then carrying out an Islamic judgment would be to our credit and our honor. We are determined to execute the laws of Islam whether a group of people like them or not.

But if the organization's objection is based on its rejection of Islamic laws, then we will not be willing to discuss the matter with the organization or join it in an investigation of the issue because we are determined to pursue our steady and constant course in executing the canonical laws of Islam.

[Question] Based on Amnesty International's position, it has been noticed that western countries are always accusing Arabs and holding them responsible for terrorist operations that take place occasionally in some European capitals. Arabs are held responsible for terrorist operations even though they are the ones who are hurt most by the terrorism which is sweeping their countries. Have Arab countries studied together the subject of terrorism and its effects at the conference for Arab ministers of foreign affairs?

[Answer] The Arabs have been facing a vicious, unjust campaign in some western countries where terrorism has become associated exclusively with Arabs, and that is not true.

I did address this matter before, and I identified existing terrorist organizations in the western world and in Europe in particular. These organizations, which have nothing to do with the Arabs, are well-known organizations like the Badermeinhof organization, the Red Brigades and others. What happened recently in France when a group of Europeans from several countries were arrested confirms that. This is one of the subjects that I discussed with Mr Pasqua during his recent visit to the kingdom.

That is why it is unfair to attribute all these activities to the Arabs alone. I do not deny, of course, that Arabs were engaged in some terrorist activities. But those who were are divided into two groups:

One group is labeled a terrorist group, but those who are in that group are not terrorists. They are people who are defending themselves and their rights, just like our fellow Palestinians.

And there is a misguided group of people who are being used even by non-Arab organizations. Those individuals cannot be used for comparison purposes, and they cannot be used to disgrace the Arabs.

There has to be an objective judgment in this matter. Facts have to be revealed, and things are to be called by their proper names. Zionist hatred and the Zionist effort in western countries should not be translated into matters that are not consistent with the facts.

I believe that Arabs are not the only ones who are hurt by such action. The western world is hurt by it, and so is the western world's relationship with the Arab world. And western interests are not served when people in the Arab world hate the West.

This is something that western leaders must pay attention to in every area.

[Question] An observer who might be visiting the kingdom now would see a new phenomenon that he would not have seen previously. News about the Soviet Union and the eastern bloc can now be seen on Saudi television and read in the Saudi press. Three Saudi officials also visited the Soviet Union. The first such visit was made by His Highness Prince Sa'ud al-Faysal, minister of foreign affairs, who visited the Soviet Union with the Arab Peace Committee. This was followed by a visit from His Highness Prince Faysal ibn Fahd, the general chairman of the

Youth Patronage Program. Finally, his excellency Mr Hisham Nazir, minister of oil, visited the Soviet Union. Does this phenomenon indicate the possibility that relations between the kingdom and the Soviet Union could be restored, especially since three GCC countries have recently established diplomatic relations with Moscow?

[Answer] The fact that Saudi media are broadcasting news about the Soviet Union and the eastern bloc is something ordinary and normal. Such news must be broadcast because the Soviet Union is a superpower and eastern bloc countries are part of the world.

I believe that the visit Saudi officials made to the Soviet Union is clear. The minister of foreign affairs visited the Soviet Union as a member of an Arab delegation. I do not believe that the absence of diplomatic relations between the Soviet Union and the Kingdom of Saudi Arabia should prevent his highness the foreign minister from taking part in such a visit. His highness the chairman of the Youth Patronage Program visited the Soviet Union in connection with games that were being played in that country. His excellency had to attend those games because a Saudi team had participated in them.

The minister of oil visited the Soviet Union, as is well-known, because of a matter that has to do with oil and OPEC. It was an ordinary and a normal visit.

The public relationship between the Soviet Union and the kingdom is normal, and there is mutual respect between the two countries.

The matter of diplomatic relations which were established between some GCC countries and the Soviet Union is something that concerns these countries. Diplomatic relations are always subject to the interests of the two countries between which such relations exist. And this is something that concerns the leaders in both countries as determined by their mutual, common interests.

[Question] Much is being said about strategic security among GCC countries, but nothing is being said about the security agreement that Kuwait opposes.

A. What is the truth about the current situation?

B. What are the prospects and implications for strategic security in the GCC countries?

[Answer] The security agreement is one of the basic methods for implementing strategic security. In fact, it is the principal method of doing that.

This is what I said some time ago to a few Gulf and Arab newspapers. This indicates that we are not forgetting the security agreement.

Strategic security is actually a comprehensive approach in that it covers everything of interest to the region from a security standpoint. Security, of course, is related to everything: it has to do with economic, social, cultural, or defense matters, all of which are related to security. Strategy covers all those areas and takes into consideration both the present and future circumstances of the region and those of the GCC countries as well. All objectives are

defined in the strategy, and so are all methods for achieving and serving them. In addition to other means that were available, the security agreement was one of the foremost means for implementing this strategy. This indicates that the security agreement is still holding its normal place, and we are hoping that an agreement on this security agreement will be reached in a short period of time.

[Question] Of all the countries in the world the Kingdom of Saudi Arabia is considered one of the most secure countries in the world, given its vast area, its population and the growing number of foreign workers in it. Saudi Arabia has the lowest number of organized crime or narcotics smuggling incidents. How does his highness, the prince, explain this phenomenon?

[Answer] What you mentioned is true and factual. If we were to compare security in the kingdom with security in many countries in this age of ours, we would find that there is a big difference.

We are proud of this security that prevails in the kingdom, and we are determined to do everything to make it last. However, I do not wish to hide the fact that new crimes are being committed in our country because of existing changes in the world and because the kingdom has open communications with all corners of the globe. We now have incidents that used to be unknown in our society. But we can, God willing, confront them in an effective manner.

The use of narcotics is one of the most important problems that used to be unknown in Saudi Arabia. Narcotics, which are brought into the country from abroad, have started sweeping our society in various ways. We are determined to confront this problem. I believe that the recently issued decree which requires the execution of smugglers, their assistants and drug dealers shows that the Kingdom of Saudi Arabia is determined to stand firm on this matter. Saudi Arabia will take deterrent measures to put an end to this destructive situation. It is destructive not only to the people of Saudi Arabia, but also to all the peoples of the world.

We hope these methods will actually deter, and we hope that Arabs and others in the international community will cooperate with us to ward off this danger that is threatening us all.

[Question] Now that the runaway construction boom has slowed down and matters have returned to normal, one notices that a number of foreign firms along with a number of workers have left the country. That has led to residential vacancies which are noticeable, and this is clearly reflected on the condition of the market and on housing and commercial real estate. The Saudi administration must have taken precautions against such a situation. What is the kingdom inclined to do in the future in this regard?

[Answer] It is true that there are foreign firms which terminated their business here and left the kingdom. At the same time Saudi companies and firms have been established, and these can do the work that foreign companies used to do. There are also many foreign firms in Saudi Arabia that are still implementing projects. The number of workers who are now in the kingdom is the same as it was in past years, given the fact that the number of workers coming from abroad must decline as time goes by as a result of self-sufficiency and

public projects being completed. The number of foreign workers in Saudi Arabia has to decline also because there are now Saudi workers who can do what those foreign workers used to do.

The matter of [foreign] workers is something that is not permanent; it is a question that is determined by need and by the country's interests. New conditions developed during this stage as vigorous industrial activity was established with Saudi capital, and technical workers were needed for this industrial activity. Much progress was also made in agriculture. In addition, public service organizations and companies have been established. Therefore, there is no slump in this area, and we still have large numbers of Arab, Muslim or foreign workers.

[Question] Your Highness, speaking of the outstanding industrial activity in the kingdom, there are expatriate Arab workers in the West who are suffering because of growing racism which is due to the unemployment that is sweeping European countries. These workers cannot find employment in their mother countries because these countries are poor. The Arab League, in conjunction with French authorities, had devised a plan to attract those skilled, competent Arab workers to Arab countries that are entering into a stage of vigorous industrial activity.

How receptive is the kingdom to such a plan, particularly since it is about to embark upon a stage of vigorous, industrial activity?

[Answer] Whether or not the Arab League has such a project, we in the Kingdom of Saudi Arabia would welcome Arab workers at any time. Most certainly competent and skillful Arab workers would be accepted first. Naturally, we would not hesitate to accept them. At the same time we would encourage businessmen and industrialists to bring such workers into the country.

[Question] This is a question for your highness in your capacity as president of the Supreme Media Council.

It has been noticed that there is an orchestrated campaign in the foreign media against the Kingdom of Saudi Arabia and its leaders.

Any scandal affecting a Saudi businessman abroad does not affect him alone. The entire kingdom is blamed for it.

And whenever any foreign company has a financial upset because of a difference between it and an agency it dealt with in the kingdom, the dispute is not confined to the difference between those two entities. Instead, charges are made against the kingdom.

Examples of such incidents abound. Does the Supreme Media Council have a new strategy for the media abroad?

[Answer] Unfortunately, what you mentioned is true. There is a vicious campaign in the western press against the kingdom, and there is no justification for it. It is a hostile attack that makes no distinction between the wretched and well-heeled. The media are hurting their readers and their own countries more than

they are hurting us. Newspapers are supposed to investigate the facts, and they are supposed to state the truth whether it pleases us or not.

One is surprised when statements are made that have nothing to do with the truth and when some negative matters are blown out of proportion. What you mentioned about the conduct of any Saudi citizen abroad and the link that is made between that and the state is an example. An individual is responsible for himself. And although there are drawbacks to associating the actions of an individual with that individual's country, there is a positive aspect to it: it proves that Saudi citizens are attached to their country. Although such an attachment between the individual and his country does exist, this does not mean that he does what he does with the knowledge of the state, under its direction or with its consent. Right or wrong, an individual is responsible for his actions. It makes no sense to attribute the conduct of individuals to the state.

All that, however, is part of the vicious campaign against the kingdom. We know of no justification for it unless it is those entities that do not want the Kingdom of Saudi Arabia to have good relations with western countries. But we want to have good relations with all the countries of the world, and our actions confirm that. We want to preserve our interests, and we also respect the interests of others.

The same thing applies to what you mentioned about foreign companies and the business they do with Saudi companies, organizations or even the state. Such business dealings, of course, are matters that are governed by contracts which have to be fulfilled. If a company were to violate the terms of its contract, we cannot waive the state's rights, the citizens' rights, or the rights of Saudi companies. There is nothing more to it than that. Were we to count the number of companies that did business in the kingdom, we would find that hundreds or even thousands of companies did do business with the kingdom without any problems. How can a small number be taken to make the statement that there are unresolved problems? If the western media were to search for the truth, and if they were to ask the agencies in question, they would discover that there were reasons for these problems. This is something that happens everywhere in the world. No one should expect us to waive the kingdom's rights, whether these rights are actually the state's rights, an organization's rights, Saudi companies' rights or the rights of individuals. It is the contract that decides between the parties to a contract. We are concerned about our own rights, but at the same time we do respect the rights of others, and we try to see to it that they receive all their rights. Responsible agencies in the kingdom can never waive the rights of any party.

[Question] But your highness, are there any plans for a media strategy?

[Answer] Actually, this is something that is of interest to the Supreme Media Council. Based on the recommendation of the Supreme Media Council, the Council of Ministers did issue a decree to set up a strategy to provide the media abroad with a true picture of what the kingdom is like and to set up a dialogue with the media and with media agencies abroad. This would be a rational dialogue that is based on the facts, on putting things in perspective and on giving the facts to those who seek the truth.

This is an effort to inform, and we hope it will be successful. We hope that this will yield results. It is a service to the truth.

8592

CSO: 4404/358

INDIAN OFFICIAL DENIES GIVING SANCTUARY TO SHANTI BAHINI

Dhaka THE NEW NATION in English 26 Apr 87 pp 1, 8

[Text]

Indian Foreign Secretary K.P.S. Menon has denied that his country provides any sanctuaries to Shantibahini for their terrorist activities against Bangladesh.

He was talking to newsmen at the Dhaka Airport on his arrival from Delhi yesterday afternoon on a three-day official visit to Bangladesh.

Asked about providing sanctuaries to the tribal insurgents by India, Mr. Menon said as you know, "we have denied it".

The Indian Foreign Secretary said it was important that as neighbouring countries we to talk to each other and know each other's points of view better.

Mr. Menon, who served in Dhaka as his country's High Commissioner for three years in the late seventies, described his visit as "sentimental" and recalled his good relations with many in Bangladesh.

"As neighbours, it is nothing uncommon that we have problems but it is important that we talk to each other," he said.

Asked about his talks with Bangladesh Foreign Secretary Mr. Fakhruddin Ahmed, he said he had no fixed agenda and all issues that the two sides considered important would come up for discussions.

Replying to another question on the repatriation of Chakma refugees from the Indian state of Tripura when Bangladesh expressed its willingness, Mr. Menon said they would discuss the matter.

Asked whether he was hopeful that the repatriation would

start soon, he said it depends on the two sides.

When his attention was drawn to the fact that there was understanding at the highest level for curbing trans-border insurgency between Bangladesh and India, the Indian Foreign secretary said that such understanding existed and he had come to talk with his Bangladesh counterpart.

Replying to another question on Chakma refugees, Mr. Menon said the refugees were still going over to India and claimed that their number stood at 50,000. Mr. Fakhruddin Ahmed who was sitting beside him told newsmen that the refugees numbered 27,000, as identified by Bangladesh.

He told another questioner that the main thrust of his talks in Dhaka would definitely be on "friendship and understanding" between the two neighbouring countries.

The Indian Foreign Secretary disagreed with a questioner that the tribal issue had become an "irritant" and said that it could be described as a new problem but not as an irritant that affected the entire relationship. "There is no reason to construe that any bilateral issue has taken the shape of irritant between the two countries," he remarked.

The Indian Foreign Secretary was received at the airport by Mr. Fakhruddin Ahmed, Indian High Commissioner to Bangladesh. Mr. I.S. Chadda was also present.

/13046

CSO: 4600/1667

PAPERS REPORT INDIAN FOREIGN MINISTER'S VISIT, TALKS

Remarks on Departure

Dhaka THE BANGLADESH OBSERVER in English 28 Apr 87 pp 1, 10

[Text]

Bangladesh and India could not yet agree on the number of Chakma refugees and the modality for their repatriation.

This was stated on Monday by the Indian Foreign Secretary, Mr. K.P.S. Menon, at the Zia International Airport, before leaving for New Delhi after a three-day visit to Bangladesh.

He told newsmen that New Delhi would approve any step that Bangladesh might like to take for the repatriation of the refugees.

Indian Foreign Secretary K.P.S. Menon, however, stated the reports in Bangladesh Press about the disagreement between New Delhi and Dhaka on the number of Chakma refugees. He asserted that there was no contradiction between the two sides on the number of the tribal refugees to be repatriated to Chittagong Hill Tracts from the Indian State of Tripura.

Mr. Menon said that Dhaka had neither denied nor confirmed the number of Chakma refugees given by India. He reiterated the Indian estimate of Chakma refugees at 49,000 and added that Bangladesh claimed this to be at 27,000 and the rest were now under verification by Bangladesh side.

Bangladesh Foreign Secretary Fakhruddin Ahmed who was sitting beside Mr. Menon did not contradict the statement of his Indian counterpart.

It may be recalled that the Bangladesh Foreign Secretary on Saturday had promptly contradicted the Indian figure of Chakma refugees given by Mr. Menon and mentioned the number as 27,000.

Mr. Menon claimed that there was no difference of opinion between the neighbours on the need for early repatriation of Chakma refugees. "We want to see that the tribal refugees are repatriated soon", he said.

The Indian side reiterated its proposal that Bangladesh district officials and tribal leaders should visit the refugee camps in Tripura to persuade the tribals to return home. Bangladesh also reiterated that an early meeting of the concerned district officials of Khagrachhari and South Tripura would help expedite the process of the return of the refugees. Bangladesh side also suggested that Chakma refugee leaders with their families should visit their homeland.

Asked whether India will try to convince the Chakma refugees to return home, Mr. Menon said "it is the duty of Bangladesh side to

convince the refugees". He categorically denied the allegation that India was not allowing the refugees to come to their homeland and he termed such allegation as "absolutely untrue like many other allegation against India."

It was learnt from a reliable source that India insisted unless a congenial atmosphere was created by Bangladesh the tribal refugees would not be allowed to come to their homeland.

The Indian Foreign Secretary also refuted an allegation that Delhi intentionally delayed the meeting of the Joint Committee of Experts (JCE) of Indo-Bangladesh Joint River Commission (JRC). He informed that Bangladesh wanted a meeting of the JCE and it would be held shortly.

On the South Talpatty issue, the Indian Foreign Secretary said that both sides agreed to examine individually and jointly the data already exchanged between the two countries on the island. The two Foreign Secretaries would report to their Foreign Ministers for further necessary steps to be taken for an early and peaceful resolution of the problem, he added.

On the maritime boundary issue, the two sides agreed to resume talks on the delimitation at a mutually convenient time in a "spirit of understanding and good neighbourliness" Mr. Menon said.

The Indian Foreign Secretary reiterated that India wanted to transfer the Tin Bigha corridor to Bangladesh "as quickly as possible." He informed that the Indian Government had already initiated the process to amend the Constitution for the transfer of the corridor. He also disclosed that Indian Government wanted to move special writ petition in the Supreme Court for the necessary legal provision for the handing over of the corridor.

Border accord

Asked why the Indian Parliament did not ratify the 1974 Indo-Bangladesh border agreement for the delimitation of the Indo-Bangladesh border and transfer of the Tin Bigha corridor, Mr. Menon

said that the ratification was not done as there were cases in Indian Court against the transfer of the corridor. He observed that Bangladesh Parliament could ratify the agreement as there was no case in the court.

The Indian Foreign Secretary was satisfied with the talks between the two sides. "The spirit of talks was excellent and constructive and there was no confrontation", he added.

Mr. Menon was not happy over the reports on Indo-Bangladesh issues often carried out by India and Bangladesh Press. He said that Bangladesh and India wanted to reach a common ground to resolve outstanding issues. Turning to his Bangladesh counterpart, he said that they both agreed that the Press in the two countries should reflect the cordial atmosphere and the spirit that prevailed at their meetings and "that happily exists in the relations between the countries."

Foreign Secretary Fakhruddin Ahmed, Bangladesh High Commissioner to India, Mr. Faruq Ahmed Chowdhury, Indian envoy to Bangladesh I.S. Chadha and high officials of the Ministry of Foreign Affairs were present at the airport to see off the Indian Foreign Secretary.

Chakma Responsibility Transferred

Dhaka THE NEW NATION in English 6 May 87 p 1

[Text]

The Ministry of Foreign Affairs will deal with the Chakma issue instead of the Home Ministry from now on.

The decision was taken by the Government recently, according to informed sources.

The Home Ministry had been dealing with the Chakma issue.

The subject has been transferred to the Foreign Ministry as the Chakma refugee issue concerns India and Bangladesh.

High Commissioner's Statement

Dhaka THE BANGLADESH OBSERVER in English 7 May 87 p 1

[Text]

Indian High Commissioner in Dhaka on Wednesday denied reports in a section of Bangladesh Press in which it was stated that Chakma refugees would not be allowed to come back unless a congenial atmosphere was created here.

A spokesman of Indian High Commission said that Indian Foreign Secretary Mr. K.P.S. Menon during his visit to Dhaka had reiterated Indian stand of early return of Chakma refugees.

Indian Foreign Secretary had expressed Indian readiness to assist Bangladesh in the early return of Chakmas. The Indian High Commission Press release also stated that there would be a meeting between the district officials of Khagrachari and South Tripura at an early date. It also said India had never resisted the Chakmas from returning to their homeland.

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CSO: 4600/1666

REPORTS ON VISIT TO PRC BY CHIEF OF NAVY

Activities in Beijing

Dhaka THE NEW NATION in English 20 Apr 87 p 3

[Text]

Rear Admiral Sultan Ahmad, Chief of Bangladesh Navy, arrived in Beijing on April 16 on a 6-day visit at the invitation of Admiral Liu Huaqing, Commander, PLA (Navy) according to a message received here from Beijing Saturday, reports BSS.

The admiral who is accompanied by his wife Begum Soobia Ahmad and 3 other naval officers was received at the airport by Admiral Deng Shuqi, deputy chief, PLA (Navy) Bangladesh, Ambassador to China Enayetur-Rahman Khan and other officials of the Bangladesh mission.

Admiral Sultan Ahmad visited the naval headquarters

on Friday and held substantive discussions on defence cooperation and other related subjects. The admiral was given a briefing on Chinese security perceptions with particular reference to the Asia Pacific region and the Indian Ocean.

Admiral Ahmed said that the cooperation between the two countries had been developing progressively over the years and that Bangladesh had similar views with China on almost all important matters.

Earlier Admiral Sultan Ahmad was presented with a guard of honour at the naval headquarters.

Press Release on Return

Dhaka THE BANGLADESH OBSERVER in English 28 Apr 87 p 10

[Text]

Chief of Naval Staff Rear Admiral Sultan Ahmad returned in Dhaka on Saturday night after a seven-day goodwill visit to China at the invitation of the PLA (Navy) Commander Admiral Liu Hua Qing, an ISPR Press release said, reports BSS.

The Chief of Naval Staff was accorded warm reception at the PLA (Navy) Headquarters on April 17 by the PLA Navy. He had important discussions with the PLA (Navy) Commander regarding matters of mutual interest and co-operation between the two navies.

During his stay in China, the Naval chief also called on the Chief of General Staff of the PLA General Yang Dezhi who expressed his firm commitment to strengthen the field of co-operation between our two armed forces.

The Admiral also visited the North China Sea and East China Sea Fleet Headquarters of the PLA (Navy).

The Naval Chief exchanged views on further strengthening of co-operation with the fleet land shore

commanders. The Admiral was also taken to different important ship building and sophisticated naval hardware manufacturing yards. The Admiral had frank exchange of experience with the veteran war heroes like General Yu Tai Zhong, Commander of Quangong Military Area.

The visit will further strengthen the existing friendly relationship between the two armed forces, in general, and the two navies in particular.

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CSO: 4600/1666

FOREIGN MINISTER INTERVIEWED ON MOSCOW VISIT PLANS

Dhaka THE BANGLADESH OBSERVER in English 5 May 87 pp 1, 8

[Text]

Foreign Minister Humayun Rasheed Chowdhury described the present state of Bangladesh-Soviet relations as "balanced" and said his long-awaited visit to Moscow will take place in December.

He said the Soviet ambassador called on him on Saturday to say the visit, which was put off last December, can now take place in coming December.

The Foreign Minister would like to be in the Soviet Union on any day from December 1 to 10.

In an exclusive interview with the Bangladesh Observer at his office on Monday, the Foreign Minister said his would not be the first formal visit to the Soviet Union since the change over in 1975. He said Sunil Gupta, then State Minister of Communications, had gone to the Soviet Union last December to discuss the Soviet proposal for the construction of a road-cum-railway bridge over the river Rupsa.

The Soviet Union had become unalterably prejudiced after the change over of Government in 1975. The hardened Soviet posture is melting.

Mr. Humayun Rasheed Chowdhury said "we cannot afford to pick unnecessary quarrel with any of the super powers or any mini super power or any one else" and went on to add "this formula should be taken along with our insistence on the maintenance of national dignity, sovereignty and independence of our state".

He said relations with India was good but qualified it by expressing his dismay at the continuance of a state of affairs where outstanding issues still remain unresolved.

Mr. Humayun Rasheed Chowdhury said some of these issues were

under discussion for decades. He was, however, happy to notice the elements of positivism in the Indian attitude in the last couple of years. He said search for peaceful resolution of the issues that tend to plague the Indo-Bangladesh relations would continue.

He sounded fairly pessimist when he said considerable progress has been made in respect of reaching an accord on South Talpatty, water sharing and transfer of Tin Bigha corridor but concluded the sentence by saying "but the facts remain these have not been resolved." Bangladesh would like to see an expeditious solution to these problems, he said.

On Indo-Bangladesh relations, the Foreign Minister said "time has when progress in relations between two countries should not be felt in two foreign offices alone but by people also".

Arms race opposed

Commenting on the acrimonious debate now going on between India and Pakistan on possessing nuclear weapon, the Foreign Minister said Bangladesh was against development of weapons of mass destructions by any country of the region specially when all countries in the region are steeped in poverty of unacceptable level. Asked if India's bilateral difficulties with Sri Lanka, Pakistan and Bangladesh would impede the progress of SAARC, the Foreign Minister said the pace of development in 13 agreed areas of cooperation has picked up momentum. He did not see any immediate obstacle being created to halt the growth of SAARC.

He said the last two summit meetings had progressed remarkably well

despite prevalence of irritants between India and Sri Lanka and India and Pakistan. Humayun Rasheed Chowdhury emphasised that summit level meetings always result in clearing misunderstandings. He recalled President Jayewardene and Prime Minister Rajiv Gandhi nearly found a solution to the ethnic problem in Sri Lanka during the Bangalore summit.

He said "We ourselves made quite a bit of progress in the process of resolution of the outstanding problems during the summit."

Why the November summit should be different, the Foreign Minister asked. He did not share the concern expressed at certain quarters at the dismantling of Bangladesh missions at the African states of Zimbabwe and Kenya. He said Bangladesh relations with all African states excepting the racist Pretoria regime were "excellent."

Asked to comment on the increasing frequency of visit to China at the highest level, the Foreign Minister said both Bangladesh and China desire that visit at the highest level should take place at regular interval. He said President Ershad would visit China in July essentially to maintain the level of bilateral ties between the two countries.

Foreign Minister would himself attend the special session on Namibia to be held in Angola on May 18 and 19. He has been invited as the President of UNGA.

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CSO: 4600/1675

HASINA'S NEW YORK TELEVISION INTERVIEW REPORTED

Dhaka THE BANGLADESH OBSERVER in English 5 May 87 pp 1, 8

[Text]

Awami League chief and the leader of the Opposition in the Jatiya Sangsad, Sheikh Hasina has strongly defended the formation of the one-party rule by her late father, Sheikh Mujibur Rahman. She called it a platform of political views and professional groups.

In a television interview given to the New York based Vision of Asia network during her recent U.S. visit, the Awami League chief disagreed with the interviewer (Swapna Dasgupta) that her father was killed because of formation of the one-party rule by banning all other political organisations. Sheikh Hasina said that her father was killed when he had tried to ameliorate the condition of the down-trodden people. Those who opposed the Liberation of Bangladesh killed her father, she observed.

She emphatically said that there is no democracy in the country since 1975 and martial men were ruling the country since then. Justifying the participation of her party in the the parliamentary polls, she said that her party did so for the purpose of restoration of democracy which, she said, the country enjoyed for a short period of three and a half years after independence. She claimed that her party was denied of the election victory by a "media coup".

In reply to a question about an understanding of her party with the fundamentalists, she evaded a direct reply but said they came close sometimes on certain issues.

Bitterly criticising the denationalisation policy, Sheikh Hasina said that profit making concerns have

been given to private hands thus causing harm to national economy.

Sheikh Hasina is of the opinion that SAARC is bound to flounder with democracy not functioning in Pakistan and Bangladesh.

Her considered opinion is ideal condition only exists in India.

Sheikh Hasina said she had made several attempts to return to Bangladesh after the killing of her father on August 15, 1975 but she was prevented from doing so by late President Ziaur Rahman.

She was vague and inarticulate when asked what had inspired her to join politics when she was enjoying the hospitality of the Indian Government. Sheikh Hasina was of the view no Government after the killing of Sheikh Mujib enjoyed support of the people and had their base in Cantonment.

She claimed total support of the people and said without naming anyone that President Ershad was only dotting the line charted out by late President Ziaur Rahman.

She called Awami League the only Opposition party in Bangladesh dismissing others as pedestrians.

What she meant by saying she had never visited the Cantonment was not easily understood. She denied having a secret understanding with President Ershad.

What prompted the television authorities to run the interview was being asked in different circles. Opposition views have never been allowed on television or radio since 1947. Why suddenly this deviation was made had perplexed many.

BANGLADESH DELEGATE ADDRESSES PALESTINIAN MEETING

Dhaka THE NEW NATION in English 28 Apr 87 p 3

[Text]

The Chief Whip of Jatiya Sangsad, Dr. T.I.M. Fazle Rabbi has reiterated Bangladesh commitment to the cause of Palestinian people in the realisation of their just and legitimate rights, reports BSS.

He was addressing the 18th session of the Palestine National Council conference at Algiers on Thursday.

He said our identity with aspirations of the people of Palestine was total and our support to their cause is sincere.

This meeting of the Palestinian national conference has come in the wake of dramatic upheavals that have in the past threatened to dislocate the focus and impact of the struggle. It has demonstrated the underlying validity, resilience and fortitude of the Palestinian people.

Crucial issues are on the agenda: The unification of Palestinian ranks around divisive issues, the tragic and unbearable flight of the refugee camps, the process of restructuring and reorganisation necessary to give further impetus and direction to the struggle, the formulation of the fundamental platform for the convening of an international conference on the Middle-East with the participation of the PLO as the sole and legitimate representative of the people of Palestine.

Dr. Rabbi said, 'There are momentous decisions and we have been privileged in Algiers to be part of a process that has far-reaching implications not

only for the Palestinian people but also inextricably linked to peace and security of the world.'

As a newly-emergent state that achieved its own independence from colonialism through a hard-won War of Liberation, as a non-aligned and developing country and as a Muslim country member of the OIC our identification and stake in the success of the Palestinian people is all encompassing, he said.

Earlier, on April 22, Mr Rabbi called on Chairman Yasser Arafat during the 18th Palestinian National Council session in Algiers.

In an extremely warm and cordial meeting with Chairman Arafat Mr Chowdhury extended fraternal greetings and best wishes for success of the conference

on behalf of the President government and people of Bangladesh and in particular on behalf of the members of the Bangladesh Jatiya Sangsad.

Mr Chowdhury also presented a gift on behalf of the Bangladesh Jatiya Sangsad.

Chairman Yasser Arafat reciprocated the sentiment expressed and thanked Mr Chowdhury for Bangladesh's consistent support and solidarity. He said please convey to your President the Bangladesh freedom fighters in the PLO are a great asset to us.

/13046

CSO: 4600/1668

EEC OFFERS SCIENTIFIC, TECHNOLOGICAL COOPERATION

Dhaka THE NEW NATION in English 30 Apr 87 pp 1, 8

[Text]

The European Economic Community (EEC) has offered Bangladesh scientific and technical cooperation as a part of the requirement for implementing the national science and technology policy announced last year.

A spokesman of the Science and Technology Division told BSS yesterday that the offer was given by an EEC delegation in an interministerial meeting held at the Secretariat Tuesday.

The three member delegation led by Mr Lexio Andretta, responsible for EEC science and technology cooperation with the least developed countries, arrived in Dhaka on April 27 on a three-day visit at the invitation of the Government.

The spokesman said that the cooperation was offered by EEC on the basis of the Vienna programme of action on science and technology.

The United Nations Conference on Science and Technology held in Vienna in 1979 had adopted an action programme urging the rich industrialised countries to contribute for development of science and technology in the least developed countries with a view to minimise the economic gap between the north and the south.

Both the sides in the meeting

expressed the hope that greater cooperation between Bangladesh and the EEC in the fields of science and technology was possible by coordinating the objectives of the national science and technology policy of Bangladesh and those followed by the EEC.

Discussions were held on cooperation for research development and technology transfer in the fields of food, agriculture and livestock, health and population control, environmental pollution, national resources, oceanography, renewable sources, energy, biotechnology, and scientific documentation and information exchange, the spokesman added.

The EEC also offered post doctoral fellowships for preparation of the projects in which EEC will cooperate. It also offered holding a workshop at Dhaka in 1988 for preparation, coordination and implementation of the projects in the fields of science and technology to be agreed by both the sides.

The meeting was attended by the representatives from the ministries of Finance, Energy, Communication, Industries, Health and Family Planning, Agriculture and Planning Division. Representative from concerned science and technology agencies also attended.

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CSO: 4600/1671

DEVELOPMENTS IN BANGLADESH COMMUNIST PARTY EXAMINED

Calcutta THE STATESMAN in English 1 May 87 p 8

[Article by Bhabani Sen Gupta]

[Text]

THE Bangladesh Communist Party (BCP) returned to the political life of the country in April at its fourth congress held in Dhaka. It did not die, but had virtually ceased to exist after its third congress in 1980. Most of its cadres were taken into custody; its front organizations were suppressed; and its general secretary, Mr Mohaminad Fahrads, was imprisoned for 18 months, and then kept under constant surveillance. Now, seven years later, at the fourth congress, the BCP has formally proclaimed its independent incarnation.

The new party line is built around the strategic goal of a national democratic state, or a state ruled by a broad front of progressive liberal-democratic and left forces. However, while fighting for a national democratic front, the BCP will never again merge into a larger entity, such as the BAKSAL of Sheikh Mujibur Rahman. It will scrupulously maintain its independent identity and political platform. In Mr Fahrads's own words, "Our party will always be maintaining its own independence and entity while upholding solidarity with the working class and Communist movements." In other words, the BCP will remain not only independent of other Bangladeshi political forces, but also maintain its links with the pro-Soviet international Communist movement.

GROWING PARTY

During a short visit to Dhaka last February, this writer heard people say that two political parties had gained most during

the five years of President Ershad's rule: the Jamaat-Islami and the Bangladesh Communist Party. For many years after the birth of Bangladesh the BCP used to be called the "B team" of the Awami League. Its founder-president, Mr Moni Singh, now 96 and seriously ill, had hitched the little red star of Bangladesh to the solar system of Bangabandhu. In a long interview given to this writer in February 1975, Moni Singh proudly declared that the Communists of the newly-born state were part of the frontline of its liberation force, and that the BCP's future lay with the future of the Awami League.

In the Sangsad elections of May 1986, the BCP fought as part of the 15-party alliance led by the Awami League, but maintained its separate identity. It played a major role in persuading the Awami League leadership to take part in the election even when the other seven-party alliance of Begum Khaleda Zia was determined to boycott the poll. Five BCP candidates were returned to the 300-member House. Later, another member, a Maoist, joined the BCP parliamentary party, raising its strength to six.

Mr Fahrads, who is a member of the Sangsad, does not agree that the BCP and Jamaat alone gained the most under President Ershad's rule. "All the democratic forces gained during these years," he maintains. In support of his argument, he cites the fact that 100 Awami League members were allowed to get elected—this was double the number of seats it had been permitted to win in the previous election. The

Jamaat, says Mr Fahrads, has been contained in the parliamentary poll, though it has emerged as a powerful political force in Bangladesh with the backing of "reactionary quarters" within and outside the country.

The fourth BCP congress held in Dhaka was attended by over 900 delegates including 20 women. But as many as 65% were below 35. In addition, nearly 25% of the delegates were identified as workers, peasants and agricultural wage-earners about 13% were teachers, 3.8% students, and the largest segment, a trifle short of 24%, party cadres.

The preparatory work for the congress had been conducted in 1,064 branch conferences, 286 upazilla assemblies (out of a total number of 460 upazillas in Bangladesh), and meetings in "all but a few" of the districts. If this is the organizational reach of the party, its six front bodies claim a total membership of 825,000. Of these, the most powerful is the Bangladesh Students Union and the most promising is the Bangladesh Khet-Mazdoor Samity, which has enrolled 200,000 members in six years; while another 200,000 are said to be in the process of being registered as members. The party's membership has increased to 5,000 from 3,000 in 1980.

"We can claim that our party has attained a national dimension," declared Mr Fahrads in a recent interview to the leftist magazine, Dhaka Courier. "Our effort will be to cover all the upazillas and build our party at the grassroots levels in the villages and factories." In February, Mr Badaruddin Ahmed, a

noted Marxist intellectual of Bangladesh, told this writer that if any significant new political factor had emerged in the country in recent years, it was an activist, at times militant, peasant movement. The BCP's Khet-Mazdoor Samity has been trying to build up a large base among the rural proletariat. A positive factor in its favour is the absence of big landlords in Bangladesh. About 57% of the rural families are either landless or have very little land. The rural population is getting increasingly pauperized; middle peasants are descending to the level of poor peasants. According to official figures, 87% of the population live below the poverty line.

The political report approved by the fourth BCP congress highlighted the "dependent capitalist" character of the political economy of Bangladesh. It carried "all the features of a growing neo-colonial bondage". The country is ruled by an emergent class of "comprador-bureaucratic-freebooting capitalist". The economy is "dominated" by a group of multinationals. Thirty-six monopoly houses and about 100 big capitalists have arisen out of the "indigenous bourgeoisie".

The BCP's political orientation is mainly parliamentary. The party took part in the party-less upazilla councils and captured several hundreds of them. At the national level, its tactical line is to unite the "liberation and democratic forces" in the current context of political alignments. The party, however, visualizes "strong conflicts" ahead, which may be peaceful or violent, depending on the regime's response to mass struggles.

GOD AND MARX

In a bid to win the support of a broad section of intellectuals, Mr Fahrad circulated the draft political resolution to a number of scholars and intellectuals not identified as Marxists or Communists. A number of non-Communist political parties, of progressive and liberal outlook, were invited to send delegations to the BCP congress. More than 100 suggestions for change in the political report came from non-party intellectuals.

In order to fend off attacks from religious fundamentalist groups that the BCP is anti-Islam, the BCP leadership now allows the Quran to be broadcast from the party office. Mr Fahrad asserts, like the current leaders of the People's Democratic Party of Afghanistan, that Communism is not anti-religion. "Our ideology is not fighting religion, but oppression, exploitation and social injustices. It is only the oppressors and their apologists who always try to portray Communism and religion to be antagonistic to one another. They do this with a definite design."

The BCP's fourth congress was attended by fraternal delegates from 31 Communist parties including those of the USSR and China. From India, Mr A. B. Bardhan and Mr Gurudas Dasgupta, M.P., represented the CPI, and another M.P., Mr Saifuddin Chowdhury, the CPI(M). In a report in New Age, Mr Bardhan said that with an expanding rural mass base, the BCP has emerged as "a political force" in Bangladesh.

Though the BCP's determination to maintain its independent identity and political base is an appropriate lesson drawn from past mistakes, most commentators do not as yet perceive it as a force capable of playing a significant role in the country's political life on the strength of its own following. The BCP is therefore expected to remain close to the Awami League and other partners of the 15-party alliance.

What distinguishes the BCP from the Communist parties of India and Pakistan is that it sees and projects itself as a frontline element of the liberation war of 1971. It is also so perceived by other liberal-democratic elements in the country. Even when the BCP was the Communist Party of East Pakistan, it took a leading position in the language movement of the 1950s.

SOVIET MOVES

In the 1950s and 1960s the Communists fought for democracy in Pakistan along with other political parties of the eastern wing. The BCP lent unequivocal support to the autonomy struggle waged by Sheikh

Mujibur Rahman and later threw itself into the liberation war as an unconditional ally of the Awami League. But its political line was never quite radical. That is why at one time it lost ground to Maulana Bhasani among the peasants and to the Naxalites among the youth.

The BCP has not been banned in Bangladesh for a long time. Sheikh Hasina is said to be on better political terms with the BCP than her father ever was, though there is a group in the Awami League which would keep the Communists at arm's length. Both parties value friendly relations with India and the Soviet Union.

The BCP's return to the political life of Bangladesh coincides with a thaw in relations between Dhaka and Moscow. The relationship, which was close under Sheikh Mujib, chilled after the 1975 coup and struck a further low when Ziaur Rahman ordered the Soviet Embassy in Dhaka to reduce its strength drastically. In the past 18 months, however, trade and cultural relations have been resumed. Mr Gorbachov's omission of Bangladesh, in his Vladivostok speech of July 1986, from the list of countries with which the Soviets wished to improve bilateral relations was explained to Dhaka by Moscow as a drafting oversight. Since then, the Soviets have on several occasions welcomed SAARC, which Bangladeshis regard as a commitment to their own country.

The Foreign Minister of Bangladesh, Mr H. R. Choudhury who is also the President of the current session of the U.N. General Assembly, was expected to go to Moscow last winter. Now the visit cannot take place before the next winter because the Kremlin is not in a position to receive him between June and October. Mr Choudhury, however, will be going to Warsaw and Sofia in late May. These will be the first visits of a Bangladesh Foreign Minister to the two East European countries since 1979. Middle-ranking Soviet officials have been to Dhaka in recent months, and President Ershad has opened some windows to Soviet development aid and collaboration. The East European governments are also expected to follow suit.

/9274

CSO: 4600/1707

PAPER REPORTS TOP LEVEL CHANGES IN ADMINISTRATION

Dhaka THE NEW NATION in English 6 May 87 p 1

[Text]

Top-level changes in the administration involving three secretaries and heads of some autonomous bodies have been effected.

Food Secretary Abdul Awal has been transferred to the Ministry of Women's Affairs and Social Welfare while the incumbent Women's Affairs and Social Welfare Secretary Abidur Rahman has been ordered to hold the charge of the Food Ministry.

The Secretary of Labour and Manpower Ministry Ayubur Rahman will take up the charge of the Parliament Secretariat and Additional Secretary of the Health and Family Planning Ministry Aminul Islam has been given the charge of the Labour and Manpower Ministry.

The Director General of the Directorate of Industries Anisur Rahman has become Additional Secretary of the Cabinet division and Z.N. Nasiruddin, incumbent Additional Secretary

of the Cabinet division has been made Chairman of Bangladesh agricultural Development Corporation BADC.

The BADC Chairman Col. (retd) Syed Ali Ansar has been removed on charges of corruption and misuse of power according to competent sources: there are various allegations against him.

The Chairman of the Petroleum Corporation Lt Col (retd) Hishmuddin has been replaced by the Chairman of the power development Board (PDB) Brig. (retd) M.A. Kashem while Mr. Hishamuddin has become chairman of the Chittagong Port Authority.

The chairman of the Trading Corporation of Bangladesh (TCB) Brig (retd) Azizur Rahman will go to the export Processing Zone (EPZ) as its chairman and the outgoing EPZ Chairman Col. Habibur Rahman has been posted as the TCB chairman.

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CSO: 4600/1666

ALLIANCE RESOLUTION SCORES 'MILITARIZATION'

Dhaka THE NEW NATION in English 11 May 87 pp 1, 8

[Text]

The Eight-party Alliance yesterday renewed its call for launching a vigorous mass movement to force the government to resign, establish the rights of the people through a sovereign parliament and a representative government.

The alliance call came after a meeting of its central leaders at the Dhanmondi residence of Bangabandhu Sheikh Mujibur Rahman.

A press release of the alliance said that the meeting chaired by Awami League president Sheikh Hasina reviewed the political and economic situation in the country and took note of a recent ordinance approved by the Council of Ministers providing for representation of the Armed Force in the district councils.

In this connection, the alliance observed that "all attempts at militarisation of the administration and a blueprint to permanently set up the 'military-cracy' in the country would be resisted at all costs."

Warning against militarisation in all spheres of the administration and the society it further observed that such a process was taking place already to consolidate the authoritarian rule in the country.

"Officers in service and those who were retired had been

placed earlier in higher posts at different industries, sector corporations, foreign missions, Secretariat, bank, financial institutions and in different tiers of the administration. As a result, contradictions developed between them and others in the civilian administration. The recent departure of the Foreign Secretary took place as a result of such causes. Although martial law had been withdrawn the nation is still fettered by militarisation", resolution of the alliance alleged.

The alliance also criticised what it said attempts at depoliticalisation to make the people apolitical with no meetings at important places of Dhaka city, including the Baltul Mukarram square and prohibitions on processions and publicity through microphones.

Referring to the non-functioning of the Supreme Court for a long time and recent violence during college students union elections allegedly by pro-government groups the alliance said that it indicated that the law and order situation had deteriorated in the country.

Referring to the economic crisis due to what it alleged mismanagement by the govern-

ment, the alliance also lashed out at the government policy for denationalisation, formation of holding companies and selling of shares of public sector enterprises.

Urging people to build up movement against what it termed the anti-people steps of the government, the Eight-party Alliance further warned against rise of the fundamentalist forces allegedly backed by national and international quarters, government and reactionary elements. It urged the people to beware of the leader of genocide in 1971 and pro-Pakistani elements who had opposed the war of independence.

The meeting decided to hold a rally in front of the Awami League central office on May 24 at 3 p.m. and bring out a procession to gear up its movement.

The meeting was addressed, among others, by Awami League leaders Abdus Samad Azad, Abdul Mannan, Begum Sajeda Chowdhury, Amir Hussain Amu, Tofael Ahmed, NAP leader Pankaj Bhattacharya, Suranjit Sengupta, CPB leaders Manzurul Ahsan Khan, Matlur Rahman and Abdus Samad of Ganobazadi League.

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CSO: 4600/1680

PAPERS REPORT ON PROBLEMS WITH CHAKMA TRIBALS

Urged To Return Home

Dhaka THE NEW NATION in English 18 May 87 pp 1, 8

[Text]

CHITTAGONG May 17, (BSS): Tribal leaders today urged all Chakmas to return home from across the border to lead a peaceful life.

According to an official press release, addressing a central tribal convention at Ramgarh High School ground they described the atmosphere completely 'congenial' for the Chakmas to return from the refugee camps on the other side of the border.

Central Tribal Convention convener and a former MP, Upendra Lal Chakma described the present situation in the hill tracts as much more peaceful and normal than in the past.

Mr. Upendra Lal Chakma said that those who had taken shelter on the other side of the border at the instance or provocation of 'the miscreant' should without wasting time come back to their hearths and homes utilising the government's liberal policy to establish themselves as worthy citizens of the country.

Supporting Mr. Upendra Lal Chakma, other tribal leaders said 'conflict and terror can bring no beneficial solution'.

They urged the tribals now resorting to terrorism to contribute to creation of a peaceful negotiating atmosphere characterised by mutual cooperation and trust for finding an acceptable solution to the Problems.

They asked where was the problem for handful of tribals to return home when hundreds of thousands of the tribals were living in the hill tracts in cordial atmosphere.

Speaking as the chief guest, GOC 24 Infantry Division and area Commander Chittagong, Maj Gen Abdus Salam said the present government can in no

way be held responsible for the situation now obtaining in the hill tracts, the official press release added.

Gen. Salam said that the present government inherited the problems created due to failures and lack of prudence of the past governments, it added.

Even then, Gen. Salam said, the present government was making all out efforts with patience and sincerity to find out a permanent and peaceful solution.

Non achievement of any progress despite all these efforts he said, was 'unfortunate', it added.

The convention was also addressed by Alimullah, MP, Ramgarh Upazila Chairman Belayet Hossain, Nukul Chandra Tripura, Achin Thawi Chowdhury, Phanibhushan Tripura, Mong Sul Cha Chowdhury, Ashutosh Roaza, Tilak Chandra Chakma and Shantimay Dewan.

Patachhara Union Parishad chairman Ashutosh Roaza, describing the condition of the refugees in the camps on the other side of border said that every day 15 to 20 persons were dying due to lack of food and treatment. He said the dead were being thrown into the river or the jungles.

Mr Roaza said that the security forces on the other side of the border were forcibly taking away the young girls from the refugee camps and the youngmen were being given military training against their will.

Being tired of the tortures at the refuge camps, the tribals were keenly looking forward to return home. Mr Roaza said.

Dhaka THE NEW NATION in English 19 May 87 pp 1, 8

[Text]

The proposed district administration level meeting between Bangladesh and India for the repatriation of Chakma refugees from the Indian state of Tripura still remains uncertain as no date has yet been fixed for it.

The Bangladesh side is learnt to have sent a letter to the Indian authorities suggesting an immediate date for the meeting between the deputy commissioner of Khagrachari of Bangladesh and the district magistrate of South Tripura of India.

The foreign secretary level talks held in Dhaka recently agreed that the district administration level meeting would work out modalities for an early repatriation of the

Chakma refugees who had crossed over to the Indian state.

Official circles in Dhaka could not say specifically when the proposed meeting would take place.

Meanwhile, a large number of Chakma refugees returned their homes from their camps in Tripura along with their family members.

The official circles also confirmed that no Chakma tribal had crossed over to India since March 1 last.

According to reports reaching in Dhaka, more Chakma refugees are expected to return to their homes as a peaceful situation is prevailing in the Chittagong Hill Tracts area.

/13046

CSO: 4600/1687

INDUSTRIAL ENTERPRISES ORDER OF 1972 AMENDED

Dhaka THE NEW NATION in English 6 May 87 pp 1, 8

[Text]

President Hussain Muhammad Ershad has approved the Bangladesh Industrial Enterprises (Nationalisation) (amendment) Ordinance, 1987 at a high level meeting on rapid industrialisation held at Bangabhaban yesterday, reports BSS.

The amendment to the Bangladesh Industrial Enterprises (nationalisation) Order, 1972 was necessitated with a view to implementing the industrial policy, 1986 which envisaged gradual selling of 49 per cent of shares of the nationalised industrial units among the members of the public and handing over of the remaining 51 per cent share to their respective corporations.

The industrial policy announced by the present government has kept provision for the participation of workers and employees in the management of industrial units thereby ensuring a modern management system.

The government or the corporations will hold 51 per cent of share and hence they will remain in control of the management of the industrial units. Out of the rest 49 per cent share, 34 per cent will be sold among the members of the public while the remaining 15 per cent share

will be kept reserved for workers and employees.

The workers and employees of a particular industrial units will have one member in the board of directors as their representative if they buy a minimum of 12 per cent share. There will be nine directors in the board of directors of whom four will be non-government. Out of these four non government directors, one will be the representative of the workers and employees.

The meeting also considered proposals for extending more facilities and providing infrastructural support for accelerating the process of rapid industrialisation of the country.

Three deputy prime ministers Prof. M. A. Matin, Maudud Ahmed, Kazi Zafar Ahmed, Commerce Minister M.A. Munim, Energy Minister Anwar Hossain, Irrigation Minister Anisul Islam Mahmud, Planning Minister A.K. Khandaker, Finance Minister M. Syeeduzzaman, State Minister for Industries Mesbahuddin Ahmed and Deputy Minister for Finance Fakhruul Islam Munshi, among others, attended the meeting.

/13046

CSO: 4600/1666

UNEASY AID FLOW REPORTED, IMPORTS CUT

Dhaka THE NEW NATION in English 6 May 87 pp 1, 8

[Text]

Country's import bill totalled Taka 2237 crore in first nine months (July-March) of the current financial year as against a Taka 5534 crore annual import programme, this was disclosed at a meeting of the Consultative Committee of the Ministry of Commerce in Dhaka yesterday.

The amount included industrial imports of Taka 1041.50 crore, commercial imports of Taka 708.45 crore and petroleum oil and lubricants (POL) imports of Tk. 487.23 crore as against their respective allocations of Taka 3918.87 crore, Taka 712.13 crore and Taka 873 crore, the consultative committee meeting was told.

During the corresponding period last year, goods worth taka 2705 crore were imported as against an annual import target of Taka 4620 crore. It included industrial imports Taka 1168.74 crore, commercial imports of Taka 771.19 crore and P. O. L. imports of Taka 825.29 crore as against their allocations of Taka 3217.63 crore, Taka 408.37 crore and Taka 994 crore respectively.

In first nine months of the current financial year, the private sector utilised Taka 767.93 crore for industrial imports and Taka 668.12 for commercial imports as against the allocations of Taka 3025.80 crore and Taka 437.91 crore respectively while the public sector utilised Taka 273.57 crore for industrial imports and Taka 40.33 crore for commercial imports as against its allocations of Taka 893.07 crore and Taka 274.22 crore respectively.

During the corresponding period last year, the private sector utilised Taka 903 crore for industrial imports and Taka 649.29 crore for commercial

imports as against the allocations of Taka 2385.92 crore and Taka 318.02 crore respectively while the public sector utilised Taka 265.69 crore for industrial imports and Taka 61.90 for commercial imports against the allocations of Taka 831.71 crore and Taka 90.35 crore respectively.

The day-long meeting inaugurated at a city hotel by Commerce Minister Major General (Retd) M A Munem reviewed the import performance during the July-March period of the current year and discussed in detail various bottlenecks being faced by the importers. The discussion was participated by Commerce Secretary Mr A B M Golam Mostafa, Alhaj Md Akram Hossain, Mr Habibullah Khan, Mr M Morshed Khan MP and representatives of other chambers of commerce and industry of the country.

In July-March period of the current year, the private sector utilised Taka 488.35 crore under WES/SEM Taka 6.72 crore under barter/STA and Taka 272.86 crore under credit for the industrial imports against its allocations of Taka 2088.80 crore, Taka 75.00 crore and Taka 862 crore respectively and utilised Taka 652.28 crore under WES/SEM, Taka 14.29 crore under barter/STA and Taka 1.55 crore under credit for commercial imports as against the allocations of Taka 382.54 crore, Taka 27.50 crore and Taka 27.87 crore.

In the same period, the public sector utilised Taka 64.21 crore under WES/SEM, Taka 55.19 crore under barter/STA and Taka 154.17 crore under credit for the industrial imports as

against the allocations of Tk 506.25 crore, Taka 43.00 crore and Taka 343.82 crore respectively and utilised Taka 9.38 crore under WES/SEM, Taka 30.95 crore under barter/STA and nil under credit for commercial imports as against the allocations of Taka 136.69 crore, Taka 90.75 crore and Taka 46.78 crore respectively.

Earlier, inaugurating the the meeting Commerce Minister Major General Munem attributed the import fall in the current year to non availability of external resources in time. He said as a result it became difficult to mobilise adequate funds at the official exchange rate for import of necessary raw materials and spare parts for the industrial sector and that forced us to largely depend on secondary exchange market scheme. He said the foreign exchange remittance received under the Wage Earners Scheme was also limited and thus many industries were facing problem because of an increased import expenditure from this source (WES.)

BSS adds: The Commerce Minister said only two months were left of the second year of the newly-introduced import policy framed on the basis of negative and restricted lists.

He said under the new system efforts were made to liberalise the imports through gradual abolition of licence and permit system and in most of the cases

imports could be made through opening of direct Letter of Credit on the basis of L.C. Authorisation form.

Mr. Munim said with the introduction of new import policy attempts were also made to liberalise the imports both in the public and private sectors. Now all the items of negative and restricted lists could be imported freely, he said.

He said due to scarcity of foreign exchange during the current year, foreign exchange worth Taka 30 crore in cash was kept preserved, the preserved amount had already been utilised, he added.

Out of this Taka 30 crore, Taka one crore was allocated to Trading Corporation of Bangladesh (TCB) for import of life saving drugs, Taka 5 crore for lentil (Masur), Taka 2 crore for import of powder milk besides, Taka 25 lakh was allocated for Diabetic Association for import of research materials and spare parts.

Of the rest Tk 21.75 crore, Tk 5 crore was allocated for lentil (masur) in the private sector, Tk 4 crore for import of onion, Taka 2 crore for import of garlic, Tk 2.43 crore for ginger and Tk 6.75 crore for import of fresh and dry fruits.

The meeting was also addressed by Deputy Minister for Commerce H.M.A. Gaffar, Commerce Secretary A.B.M. Ghulam Mustafa and leaders of various chambers of commerce and industries.

/13046

CSO: 4600/1666

He said the rate of national savings and national income generation through revenue tax in Bangladesh is meagre in comparison to the countries of South and South East Asia.

The Planning Minister said despite decisions taken to gear up the generation of internal resources, desired tangible results could not be attained.

Citing an example, he said the ratio of national savings and revenue tax were only 4.2 and 8.4 per cent respectively in 1984-85.

The Planning Minister proposed for modular approach in formulating project plan so that those could be completed within stipulated time and later be coupled together or expanded considering the utility, objectivity and also the requirement.

The Finance Minister M. Sayeeduzzaman also gave a resume of the financial aspect of the project while the Planning Secretary Nasimuddin Ahmed gave the outline of the ADP for 1987-88.

/13046

CSO: 4600/1687

U.S. RADAR IN PAKISTAN WOULD STRAIN INDO-U.S. TIES

Bombay THE TIMES OF INDIA in English 2 May 87 p 1

[Article by K. N. Malik]

[Text]

INDIA has failed to get assurances from the United States that it would cease military supplies to Pakistan once the Russians pulled out of Afghanistan. Nor did the U.S. commit that the arms supplied to Pakistan would not be used against India.

Mr Natwar Singh, who ended his four-day official visit to Britain today, said that he told the U.S. officials that delivery of Hawkeyes early warning radar aircraft to Pakistan capable of prying into India would strain Indo-U.S. relations. It would also lead to immediate escalation of the arms race in the region, he stressed.

The Pakistani request to lease the aircraft from the United States could involve the stationing of American Servicemen in Pakistan and lead to an

escalation of tension in South Asia.

Press reports here said that the possibility of American crews operating radar aircraft from Pakistan which could look into Indian territory, even for a few months until Pakistan's airmen took over, was a development which New Delhi was unlikely to tolerate.

Pakistan officials have benefited considerably from Washington's concern over Afghanistan and have made no secret of an airborne warning system being important for monitoring Indian frontier besides dealing with Afghan air incursions.

The Hawkeyes have a radar range of 480 km and can monitor radar and electronic signals from India. They have an offensive capability that would give the Pakistanis an edge over Indian targetting and communications.

He said the supply of the radar aircraft and the stationing of American crews in Pakistan was a serious matter and would lead inevitably to strong political pressure on the Indian govern-

ment to react.

Generals from the U.S. and Pakistan were to meet in Washington this month as part of regular consultations and were expected to finalise any leasing deal with them. Possibilities include a short-term lease to cover Pakistan's immediate security needs with an option to purchase the aircraft.

At least six months were needed to train the Pakistani crew. During that period, the U.S. servicemen or civilians under contract were expected to maintain and fly the aircraft once the U.S. approved the deal.

A waiver of arms export control act, which prohibits weapons deliveries to foreign countries if they adversely affect the operation of the U.S. armed forces, would be needed because the aircraft were in short supply.

The Hawkeyes for Pakistan were expected to be diverted off the Grumman assembly line away from other customers, including the U.S. navy and airforce.

/9274

CSO: 4600/1710

MINISTER DETAILS STEPS TO INCREASE TRADE WITH USSR

Discussion With Parliamentary Group

Bombay THE TIMES OF INDIA in English 2 May 87 p 21

[Text]

NEW DELHI, May 1.

INDIA and the Soviet Union have initiated steps to increase the existing level of bilateral trade by two and a half times in the next five years.

Disclosing this at a meeting of the parliamentary consultancy committee attached to his ministry yesterday, the Union commerce minister, Mr Shiv Shankar, said the trade basket would have to be restructured with greater emphasis on trade, manufacturers, machinery and equipment.

He said efforts were on to identify additional areas of import and export. These cover several sectors including chemicals, petro-chemicals, power, coal, steel, electronics, civil aviation and railways.

The minister informed the committee that in order to identify new areas of trade, market surveys were being planned by the Confederation of Engineering Industries (CEI), India-USSR chamber of commerce and the Indian Institute of Foreign Trade. A delegation led by the secretary, technical development, would also visit the Soviet Union shortly to identify import opportunities, particularly in the private sector.

JOINT VENTURES

Mr Shiv Shankar said further possibilities of diversification had opened up with the Soviet Union making a number of changes in its economy. The most important of these was the decision to open the Soviet market for setting up joint ventures. The first such joint venture with an Indian company for the opening of an Indian restaurant is likely to come up

by July 1987. Besides, in a number of areas like petro-chemicals, chemicals and textiles, Indian companies have shown interest.

The commerce minister observed that in context of the decline in world trade, India's trade relations with USSR had assumed a new significance. The international economic environment had continued to deteriorate in 1986 and according to the GATT report, world trade in real terms grew at the rate of a mere three per cent in 1986.

Trade with the Soviet Union had grown steadily since the signing of the first rupee agreement. There has been considerable growth in India's exports to the Soviet Union, both during the sixth plan and after. During the sixth plan period, the total trade turnover in the five-year period was about Rs. 16,800 crores as against Rs. 5,800 crores in the fifth plan, indicating a growth of more than 200 per cent during this period.

NINE MAJOR PRODUCTS

Mr Prem Kumar, commerce secretary, said a group had been set up to go into the question of setting up co-production ventures with USSR and nine memoranda of understanding (MOU) had already been concluded, covering nine major products.

Referring to the overall export scenario, Mr Shiv Shankar said that in 1986-87, exports had shown a clear upward trend. In terms of the rupee, exports increased by 17 per cent during April-January, compared to the same period in 1985-86 and even in terms of the dollar, exports during the period showed a growth of 12.3 per cent over the corresponding period last year.

Largely due to this rise in exports,

there was a substantial decline of Rs. 1,228 crores in India's trade deficit from Rs. 7,062 crores during April-January, 1985-86 to Rs. 5,834 crores during April-January 1986-87.

In response to a member's query whether the deficit could be kept under control in case of a rise in crude oil prices during the current year, Mr Prem Kumar said the export target of about Rs. 13,800 crores projected for 1987-88 envisaged an increase of Rs. 1,600 crores in exports over the levels expected to be achieved in 1986-87. This would offset the impact of any possible rise in crude oil prices on the trade deficit.

One member suggested that the scope for inclusion of value-added products in Indo-Soviet trade and further expansion of trade in agricultural commodities should be explored. The need for follow-up of the festivals of India, including the one due in Moscow, in terms of its impact on trade, was also emphasised.

Mr Prem Kumar informed the members that in the wake of festival in France and the US, efforts were being made to take advantage of the interest generated in India and in things Indian by launching campaigns of commercial publicity, especially in the US market, and this was expected to have its own impact on trade relations.

More Details Given

New Delhi PATRIOT in English 1 May 87 p 9

[Text]

India and the Soviet Union have initiated steps to increase the existing level of bilateral trade by two and a half times in the next five years following talks between Prime Minister Rajiv Gandhi and Soviet leader Mikhail Gorbachev during the latter's visit to India last year, reports UNI.

Addressing the parliamentary Consultative Committee for the Ministry of Commerce which met in Delhi on Thursday to discuss trade with the Soviet Union, Commerce Minister Shiv Shanker said the trade basket would have to be restructured with greater emphasis on trade and manufacturers, machinery and equipment.

Efforts were on to identify additional areas of import and export covering several sectors including chemicals, petro-chemicals, power, coal, steel, electronics, civil aviation and railways, he added, an official release said.

Mr Shiv Shanker further informed the committee that in order to identify new areas of trade, market surveys were being planned by the Confederation of Engineering Industries (CEI), India-USSR Chamber of Commerce and the Indian Institute of Foreign Trade. In addition, a delegation led by secretary, technical development, will also visit the Soviet Union shortly to identify import opportunities, particularly in the private sector.

He said during the Prime Minister's visit to Moscow in May 1985 the service sector had been singled out for expansion of bilateral trade. Indian construction companies were expected to

bag contracts for construction of three hotel projects at Tashkent, Samarkand and Bukhara in the Soviet Union. Recently, the USSR had also shown interest in getting more offers for new hotel projects.

He said further possibilities of diversification had opened up with the Soviet Union making a number of changes in their economy. The most important of these was the decision to open the Soviet market for setting up of joint ventures. The first such joint venture with an Indian company for the setting up of an Indian restaurant is likely to come up by July. Besides, Indian companies had shown interest in areas like petro-chemicals, chemicals and textiles.

The Minister observed that in the context of the slow down in the growth of world trade mainly as a result of slow growth in the industrialised countries and tensions due to trade imbalances, India's trade relations with USSR had assumed a new significance.

Mr Shiv Shanker informed the members that USSR's share in India's global trade was 15 per cent in 1985-86 and during 1970-85 it had grown at an annual rate of 17.8 per cent as against the overall growth of 15.9 per cent in India's global trade.

He pointed out that USSR was an important market for Indian commodities and manufactures like tea, coffee, tobacco, cashewnuts, fruit juices, textiles, leather goods, chemicals, machinery and components. Some of these items supplied to USSR constitute more than 40 per cent of India's global exports. Similar-

ly, for several vital industrial raw materials, USSR was an important source and nearly one third of India's crude oil requirement came from the Soviet Union. In view of the rupee trading arrangements, trade is conducted on a balanced basis.

Therefore, in the Rs 3,800 crore trade plan for 1987 which includes Rs 1,950 crore of exports and Rs 1,850 crore of imports, it had been decided to further diversify the commodity structure of Indo-Soviet trade and expand it to new areas. More than Rs 300 crore worth of new commodities and additional quantities of existing commodities were added in the trade plan, which include chemicals, coking coal, steel and steel products, timber, wood pulp and waste paper. This has helped in stabilising the level of trade in 1987.

A long-term programme of production cooperation has been signed recently between India and the Soviet Union. It identifies chemical machinery, machine tools, power generation equipment, coal, metallurgical equipment and industrial machinery as broad areas with long-term potential for growth and success in the expansion of machinery trade will very substantially depend on efforts in this sector, he said.

Members present at the meeting were Mr Chandra Kishore Pathak, Dr G S Rajhans, Dr A K Patel, Mr Satyanarayan Pawar, Mr Ananda P Pathak, Mr Sunder Singh, Mr Sudarshan Das, Mr Kishore Mehta, Mr Thomas Kuthiravattom and Prof Chandresh Mathur, MPs.

/9274

CSO: 4600/1711

COUNCIL APPROVES 1987-88 ANNUAL DEVELOPMENT PLAN

Dhaka THE NEW NATION in English 19 May 87 pp 1, 8

[Text]

A Taka 5,046 crore Annual Development Programme (ADP) for the next fiscal year (1987-88) was approved at a meeting of National Economic Council (NEC) held at NEC conference hall at Sher-e-Bangla Nagar in the city, reports BSS.

Presided over by President Hussain Muhammad Ershad, the meeting was attended by Vice President A.K.M. Nurul Islam, Prime Minister Mizanur Rahman Chowdhury, Deputy Prime Ministers, Ministers, concerned officials and departmental heads.

Of the ADP lay-out, the local currency allocation is Taka 2,276 crore while Taka 2,770 crore will be project aid, which includes Taka 864 crore revolving aid.

The size of 1987-88 ADP in respect of allocation is 11.8 per cent larger than the revised ADP of 1986-87. The increase in allocations as regards local currency and project aid component is 12.4 per cent and 11.3 per cent respectively.

Allocation from own fund of the implementation authority in 1987-88 ADP is Taka 193 crore.

The Annual Development Programme has been designed keeping in view the five-point development priority announced by President Ershad. These are, alleviation of poverty, rapid industrialisation, development of communication and power expansion of medicare facilities and promotion of education.

Under the next year's ADP, a total of 828 development projects will be implemented of which 684 are core projects, 55 to be implemented from own fund of the implementation authority and 20 are technical-assisted projects.

There were 844 development projects in 1986-87 ADP.

According to NEC source, an estimated amount of Taka 128 crore is likely to be spent on development projects outside the purview of the ADP by organisations like Bangladesh Bank, Bangladesh Agriculture Bank, Bangladesh Rural Development Board and other autonomous bodies from their own fund.

Besides, 4.45 lakh tons of wheat worth Taka 229.02 crore will be distributed in rural areas under food for work programme during the 1987-88 financial year.

Of the total allocations in the 1987-88 ADP, the highest fund has been earmarked for power sector amounting to Taka 883.16 crore, followed by water resources sector of Taka 559.53 crore, industry Taka 555.89 crore, transportation-Taka 499.34 crore and agriculture-Taka 354.49 crore.

In pursuance of government's decentralisation policy, Taka 170 crore has been allocated for infrastructure development of districts and upazilas and Taka 200 crore as development assistance to upazila parishads. Here allocations are treated as core allocation.

On project schedule, Taka 357 crore including local currency of Tk 124 crore has been allocated for completion of Chittagong urea fertilizer factory by next financial year. Taka 45 crore in local currency has been allocated for Barind Integrated Development Project, Taka 88 crore including local currency component of Taka 61 crore for Teesta Barrage Project, Taka 50 crore in local currency for Chittagong Hill Tracts Special Development Project and Taka 30 crore as

development assistance to Pourashavas.

Considering the possible growth rate in principle development sectors and favourable atmosphere, it has been estimated that an economic growth rate of 5.1 per cent will be attained during the 1987-88 fiscal. The sectorwise growth rate has been estimated at 3.7 per cent in agriculture, 8.7 per cent in industry, 13.5 per cent in power and gas, 6.1 per cent in transportation and 4.6 per cent in others.

The NEC approved the ADP for 1987-88 after detailed discussion on sectors and projects.

Speaking briefly and intervening at different stage during the discussion President Ershad stressed on more concerted efforts for generation of local fund for development programmes. He said local fund generation programmes have to be further disciplined and effective.

This is far more necessary to make our country self reliant and at the same time organise counter part fund for increased utilisation of project aid to the benefit of national economy, he asserted.

President Ershad directed that henceforth no project should be taken up for implementation unless it was approved after routing through ECNEC and Planning Commission. The total approach should be planned and not scattered, he exhorted.

He spoke about further gearing up of the generation of internal resources and said, to live as a dignified nation we are left with no alternative but to improve our position of internal resources. At the same time, we must cut our coat according to our cloth, he said adding. We must follow up the priorities and target instead of spreading over to so many projects most of which in the past suffered carry-over for years without delivering the expected results to our economy.

In this context, he directed that the project directors should live at the project site to have better coordination of project implementation.

He said a manner of accountability must be ascribed to the project director and to those entrusted with the implementation of any project for timely materialisation.

President Ershad expressed his unhappiness over the tendency and incapability of local government bodies including pourashavas in collecting taxes and said such tendency have not only burdened the government, but also turned the local bodies incompatible with the objective they have been meant for.

He said the local bodies must enhance its efforts in this regard, otherwise the idea of local body will be frustrated.

On afforestation schemes, the President regretted for short of attaining the target in this sector and observed that failures were due to the inefficiency on the part of personnel responsible for the purpose.

He said this was true also in case of preservation of forest resources.

President Ershad directed the concerned authority to submit a well thought out report about the development and preservation of forestry.

Discussing on striking of oil and its prospect, he said the national committee set up by the government to recommend ways and means for mining of oil and exploration of more wells after detailed scrutiny of different aspects, will submit its report to him keeping the interest of the nation aloft. The main objective before us is to exploitation of natural resources to the maximum for national economic benefit, he said.

The President directed to further examine proposal to set up four TV relay station to cover all parts of the country and submit its report to him for consideration. He directed to include in phases the project of construction of police headquarters complex in Dhaka.

Discussing on health sector project, President Ershad asked the authorities to ensure better management of hospitals and treatments to the ailing people.

He also directed to strengthen the Handloom Board to serve more the cause of the weavers and for development of handloom industry.

Earlier, the Planning Ministers A.K. Khondoker in the opening note touched on different aspects of the ADP and procedure followed in lining up the projects. He also spoke about shortage of internal resources which is causing obstruction in quick implementation of projects and utilisation of project aid.

CPSU REPORTEDLY BACKS CONGRESS-I RESOLUTION

Calcutta THE TELEGRAPH in English 27 Apr 87 p 1

[Article by Yabara] Ghimire]

[Text]

New Delhi, April 26: The Soviet Communist Party has conveyed to the Congress(I) that it is in agreement with the Congress(I) Working Committee's assessment that right reactionary forces in the country are in league with hostile external forces to destabilise the government.

This was the impression given by some top Soviet leaders including Mr Anatoly Dobrynin, to the former external affairs minister, Mr Baliram Bhagat when he was in Moscow for 10 days from April 18. Though the CWC met in Delhi on April 18 and issued a resolu-

tion only on that date, Mr Bhagat's talks with Mr Dobrynin and other leaders dealt with the same theme.

Asked about his visit, Mr Bhagat denied that he had gone to Moscow as the Prime Minister's special envoy though he did have Mr Gandhi's approval to go. He said he was part of a two-man delegation of the Friends of the Soviet Union sent to participate in the celebrations of the 40th anniversary of the resumption of diplomatic relations between the two countries.

Mr Bhagat denied having taken a letter from Mr Gandhi to the Soviet general secret-

ary, Mr Mikhail Gorbachyov: "There was no letter and I did not even try for an appointment with him."

Mr Bhagat refused to divulge what was discussed with the Soviet leaders. But sources confirmed that almost coinciding with his visit there, the CPSU had announced the visit of Mr Dobrynin here next month at the invitation of the Congress Working Committee. A ministerial delegation is expected from Moscow next week to commemorate the 40th year of diplomatic relations.

Senior Congress(I) leaders, who preferred not to be named, said that though they did not expect the CPI or the CPM to blindly follow the Congress(I) line as "they are Opposition parties and expected to play a different role." They were certain that these parties would not join the conspiracy to destabilise the "progressive and anti-imperialist base now represented by the Congress(I)." Mr Dobrynin's visit it is felt, may have some impact on the left parties.

Mr Bhagat's meeting with him last week got wide and prominent display in the CPSU official magazine *The Communist*. Pravda too, reported Mr Bhagat's meetings prominently.

/9274

CSO: 4600/1700

SINO-INDIAN ECONOMIC CONTACTS TERMED EXCELLENT

Bombay THE TIMES OF INDIA in English 1 May 87 p 15

[Text]

NEW DELHI, April 30.

EVEN as political relations between India and China are being discussed here in the context of the Chinese intrusion into Arunachal Pradesh, the two countries continue to maintain excellent contacts in the economic field.

A high-level official delegation led by Mr K. P. P. Nambiar, secretary, Department of Electronics, has just returned after a week-long tour of China during which it studied the computer industry and explored the possibility of co-operation between the countries.

The visit took place under the aegis of the bilateral exchange programme in science and technology. The Indian delegation saw several computer factories and R&D establishments involved in hardware and software.

The two countries also co-ordinate

their international purchases of fertilisers since both are major buyers of this vital commodity and contacts between them secure some advantage to them in the world market.

The computer delegation has returned with the impression that in China there is a potential market for the export of micro-processor 6502 being made by the public sector semiconductor complex limited near Chandigarh.

To a specific proposal in this regard, the Indian delegation received an encouraging response from the China National Electronics Import and Export Corporation which is evaluating the India-made micro-processor. China imports a comparable product currently from Hong Kong and some Western countries.

According to the Indian delegation, in China, there are at present over 2,500 electronic units manufacturing consumer electronic products, computers, communication equipment and components including semiconductor and LSI's. It is developing the computer industry in an organised fashion with 30 dedicated institutions engaged in R&D.

China has developed a super computer with 100m flop performance and is working on artificial intelligence,

robotics and expert systems. A 32-bit super minicomputer system is under production. Expert systems have been developed in Chinese character for a few application areas.

Considerable effort has been put in the area of automation of power plants, process and manufacturing industries. The Indian delegation visited a 3-million-ton steel plant with an advanced automation system based on indigenous development. It had a distributed hierarchical control system and included dynamic models for optimisation of blast furnace as well as basic oxygen furnace.

China has launched a programme to introduce 100,000 micro computers for school and home education during the current year. The number will go up to one million by 1990.

It is seeking ties with multinationals for the production of the state-of-art micro-mini 32-bit computer system and peripherals in the country. However R&D institutions are fully associated in negotiations for technical collaborations.

According to a survey, seven per cent of China's 50 million urban families will purchase computers for educational purposes in the next five years. Computers will also be introduced in 93,000 middle schools and 820,000 primary schools.

/9274

CSO: 4600/1706

GANDHI TELLS CABINET OF DISCUSSION WITH ZAIL SINGH

Bombay THE TIMES OF INDIA in English 1 May 87 pp 1, 9

[Text]

NEW DELHI April 30.

THE Prime Minister is reported to have taken his council of ministers into confidence yesterday over his recent discussions and correspondence with President Zail Singh.

The Prime Minister, Mr Gandhi, is reliably understood to have told his ministers that the issues relating to the position of the President under articles 74, 75 and 78 had not yet been settled. He expressed the hope these would soon be resolved and the present rumours regarding the President's possible plans dissipated.

The crux of the matter is whether the President is bound to follow the advice of the council of ministers headed by the Prime Minister. The relevant article 74 reads: "There shall be a council of ministers with the Prime Minister at the head to aid and advise the President who shall, in the exercise of his functions, act in accordance with such advice, provided that the President may require the council of ministers to reconsider and advise, either generally or otherwise, and the President shall act in accordance with the advice tendered after such reconsideration."

On the face of it, the key provision of the constitution cannot admit of any interpretation other than the obvious one which is that the President is bound by the advice of the council of ministers on every issue. Giani Zail Singh himself accepted it to be the case till recently.

But of late, he appears to have convinced himself on the basis of his private confabulation with the lawyers and opposition leaders not only that he is not bound by such advice but also that he has the right to dismiss the Prime Minister.

Though rumours state that the Giani was interpreting the constitution in such coupist terms, it is only in the last couple of days that his "friends", a euphemism for his aides in Rashtrapati Bhavan, have been quoted as having confirmed it.

Neither the rumours nor their "almost confirmation" by men close to the Giani figures at the meeting of the council of ministers. But it is no secret that privately the ministers are greatly agitated over these and would want the Prime Minister to take steps to disabuse the Giani of his strange interpretation of the constitution.

Till a week or so ago, the issue under discussion was still whether or not the Prime Minister had fulfilled his obligation under article 78 to keep the President informed of major policy decisions and important developments of national interest, and whether or not the President was entitled under article 86 to send a message to Parliament without the consent of the Prime Minister and his council of ministers.

As far as Mr Rajiv Gandhi is concerned, these still remain the issues under discussion with the Giani, as he told his council of ministers yesterday. And he takes the view that he has fulfilled his obligations under article 78, and that the provisions of article 74 binding the President to follow the advice of the council of ministers applies to the President's right to send messages to Parliament under article 86.

The Giani, it is widely believed, disagrees with this interpretation of the constitution based on the statements of the leading members of the constituent assembly which have quoted extensively in the press in recent weeks. He is reported to have expressed this view in his latest letter to the prime minister said to be dated April 20.

He is said to have taken the stand

that the prime minister has not fulfilled his obligations under article 78, that the advice of the council of ministers under article 74 is not binding on him in all circumstances, and that under article 86, he is entitled to send messages to parliament without reference to the prime minister.

But this queer interpretation of the constitution too is not the end of the matter. The Giani has perversely widened the scope of his controversy with the prime minister to involve in it his right to dismiss the prime minister and dissolve the Lok Sabha if his nominee is not able to command a majority in the house.

It is open to question whether a Presidential election can be held if the Lok Sabha stands dissolved since such a situation has not arisen so far. But it is possible to take the view that a Presidential election cannot be held if such an important constituent of the electoral college as the Lok Sabha stands dissolved. In this case, this can extend the Giani's occupancy of Rashtrapati Bhavan by another six months. It is now due to end on July 24.

That could explain at least partly his queer interpretation of the constitution. It could also be the Giani's calculation that the next election will produce a hung Lok Sabha with no party or viable alliance commanding a clear majority and that this will enable him to get a second term for himself.

In this controversy, however, even the simple point that the President cannot even get his order gazetted without the government's help has escaped attention.

Meanwhile, the controversy regarding the President's position and powers is bound to take a new turn with the stringent strictures the supreme court has passed on the working of his secretariat.

COURT ALLEGES MISDEEDS AMONG PRESIDENT'S STAFF

Calcutta THE STATESMAN in English 1 May 87 p 1

[Text]

NEW DELHI, April 30.—The Supreme Court has recommended prosecution of some members of the staff of the President's Secretariat for their connivance in fabricating evidence in favour of a COFEPOSA detenu, reports UNI.

The court also recommended prosecution of the detenu and his agent for their role in fabricating the evidence.

The recommendation was made yesterday by a Division Bench comprising Mr Justice A. P. Sen and Mr Justice Natarajan while dismissing a Special Leave and a writ petition challenging the detention of Mr Mohanlal Jatla.

The court, however, deferred ordering prosecution of the detenu and his set of men forthwith as the court felt that it might "lead to a premature closure of CBI investigation to unearth the full conspiracy."

Mr K. C. Singh, Deputy Secretary to the President, had informed the court in his affidavit that his office was inquiring into the circumstances in which the entry with regard to the detenu's representation to the President against his detention was inserted in the dak register meant only for unopened letters addressed to the President by name.

The court expressed doubt about the "efficiency and integrity of the concerned section of the President's Secretariat." The court was constrained to

give expression to its feeling of anguish by means of the observations because at the level of the President's Secretariat every section of the Secretariat was expected to observe the highest standards of morality, integrity and efficiency.

The court said the case, with which and the facile manner in which the detenu's agent Ashok Jain claimed to have entered the President's Secretariat and delivered the dak (representation of the detenu) and obtained an endorsement of acknowledgement in a copy of the representation and the length to which the Secretariat staff concerned had gone to give credence to the version of Ashok Jain not only revealed the deep fall in standards but also the lack of security and vigilance.

By the Special Leave petition and the writ petition, the wife of the detenu, Mrs Pushadevi Jatla, had challenged the detention of her husband, Mr Mohanlal Jatla, and the court dismissed both of them.

Our Special Representative adds: In the Lok Sabha today, some members sought to raise the matter during zero hour, but without success.

The matter was first raised by the AIADMK group leader, Mr P. Kolondalvelu, who seemed to be demanding a discussion. His demand was also supported by some Congress (I) members.

The Speaker, Mr Balram Jakhhar, told them that the President could not be discussed in the House. To which they replied that they were seeking to raise the functioning of the President's Secretariat. Mr Jakhhar told them that he could not allow that either. "You can't drag the President into the proceedings, nor can you drag the President's Secretariat", he told them.

What the members were seeking to raise was the Supreme Court's comment that there had been a "deep fall in standards" as well as in security and vigilance in the President's Secretariat.

What had provoked their comment was the "case" with which the detenu's agent claimed to have entered the President's Secretariat and obtained endorsement of acknowledgement for a fabricated document styled as a representation addressed to the President.

In the Rajya Sabha, Mr Darbara Singh of the Congress (I) tried to raise the issue at the end of question hour, but the Chairman, Mr R. Venkataraman, said that since the member had not sought his permission, he would not be allowed to speak on the matter. Mr Venkataraman told Mr Darbara Singh that as a senior member he should not violate the system followed in the House.

/9274

CSO: 4600/1708

COMMUNISTS WARN PRESIDENT NOT TO DISMISS GOVERNMENT

New Delhi PATRIOT in English 1 May 87 p 1

[Text]

The two Left parties, CPI and CPI-M, have warned President Zail Singh that any move on his part to dismiss the Government would be in "total violation of the Indian Constitution".

The President was being advised that he had the "inherent powers" to dismiss the Government — an advice which in effect was "advising him to organise a coup against the republican Constitution", they have said.

In a strongly worded statement issued on Thursday, the two parties characterised those advising the President thus as "mischief makers". These advisers have, however, not been identified by the parties, but described sarcastically as "constitutional experts".

The statement follows an emergency meeting on Thursday afternoon of top leaders belonging to the two parties. While the CPI was represented at the meeting by party Central Secretariat members Indrajit Gupta, M Farooqi, Rajasekhara Reddy and Homi Daji, the CPI-M was represented by politburo members H K S Surjeet, M Basavapunniah and B T Ranadive.

It is understood that the leaders felt that certain unscrupulous political and non-political circles wanted to exploit the present political uncertainty for their narrow ends. With that aim in view, they were misguiding Mr Zail

Singh into believing that he had sufficient powers under the Constitution to dismiss the Government if he felt that it had lost its legitimacy.

They also felt if the President fell prey to such "spurious" arguments and indeed dismissed the Government, the action would not only be unconstitutional but also plunge the country into greater political uncertainty and its basic democratic political framework irreparably damaged.

The Left's strong stand on Mr Zail Singh and his "constitutional experts" is a clear signal that on their part the CPI and the CPI-M would not back the Giani in case he chose to run for a second term. It is also a message to other Opposition parties that they drop the idea of fielding Mr Zail Singh as the Opposition candidate.

When contacted, CPI-M leader M Basavapunniah said that this statement does not mean that the CPI and CPI-M have revised their earlier criticism of Prime Minister Rajiv Gandhi for ignoring the President and not apprising him of important developments.

"We have criticised the Prime Minister when he was violating constitutional norms and we will continue to criticise him for that", he said. "But we will come as heavily down on the President if he starts playing around with

the Constitution".

Mr Basavapunniah identified BJP leader and lawyer Ram Jethmalani as one of the "experts" who have been "monkeying around" and giving wrong advice to Mr Zail Singh.

CPI leader M Farooqi said that Mr Zail Singh, being a political and ambitious person, just might get carried away by the kind of advice he was getting and take some unconstitutional step. This in fact was a danger if a political person was in Rashtrapati Bhavan and there was political uncertainty in the country, he added.

He wondered if it was "a part of Mr Zail Singh's game" to give currency to the idea that he was contemplating dismissal of the Government, thus bring pressure on it, and get himself to be renominated by the ruling party as its Presidential candidate.

He identified Karnataka Chief Minister Ramakrishna Hegde, on the one hand, who was projecting himself as the President in such a form of Government, and the BJP, on the other, projecting Mr Atal Behari Vajpayee in a similar role.

Speaking on the coming Presidential election and his party's choice for the post, Mr Farooqi said that a "consensus candidate" would be the CPI's first preference.

/9274

CSO: 4600/1712

PAPER REPORTS MORE GANDHI-ZAIL SINGH CORRESPONDENCE

Madras THE HINDU in English 2 May 87 p 1

[Text]

NEW DELHI, May 1.

The crisis, caused by the uneasy relationship at the top, threatens to accentuate, following exchange of letters sent by the President, Mr. Zail Singh, and the Prime Minister, Mr. Rajiv Gandhi, in the last two days. Strictly speaking, the exchange was not on the same subject, as the President wrote on the Swedish gun deal and the Prime Minister on Constitutional matters concerning their relative powers.

In his letter to the Prime Minister, the President is believed to have sought details of the gun deal, information on the telegrams and messages exchanged between the Government here and the Indian Embassy in Stockholm, the report of the evaluation committee of experts which opted for the Bofors guns out of the four international offers, and the report on the gun trials after the first batch (presumably of 20) was received.

This appeared to be an implied inquiry as to whether the guns were used in the recent "Operation Braastacks in Rajasthan. It was not clear if the letter dealt with other aspects of the deal like the supply of ammunition and the state of the guns.

Additional information: The President, perhaps, additionally desired copies of the messages and telegrams exchanged between New Delhi and the Indian mission in Bonn in regard to the purchase of West German submarines—a deal which led to an inquiry by the former Defence Minister, Mr. V. P. Singh, following reports that an agent may syphon off Rs 30 crores by way of commission.

The President, it appears, felt that he needed to be given details of the transactions which evoked keen interest among common people. Mr. Zail Singh was also believed to have touched upon the controversies over the arms deal in his last week's meeting with the Prime Minister, when he had favoured the Opposition's demand, for an inquiry by a Parliament committee on the plea that it would help the Government prevent the erosion of its credibility.

Unlikely to oblige Mr. Rajiv Gandhi was unlikely to oblige the President by supplying the desired information because it was felt that the details of the deal had already been given to Mr. Zail Singh by the new Defence Minister, Mr. K. C. Pant last week.

The President's letter was received in the Prime Minister's office yesterday morning—it was sent just before Mr. Zail Singh left on his Gujarat tour. Soon after, the Prime minister dis-

cussed the matter with some of his senior colleagues.

Even as the Presidential communication was being processed on Wednesday evening, Mr. Zail Singh was stated to have received a letter from Mr. Rajiv Gandhi, enquiring if he had formulated his views on Article 78 dealing with the relationship between the nation's two top functionaries. This issue was discussed by them at their last week's meeting but they could not even agree to disagree. The President took the position that the Prime Minister was obliged to furnish the information called by the former.

The Prime Minister, however, differed with this interpretation and contended that it was for him to decide what information to supply and when. Mr. Gandhi felt their dealings were governed by the overriding provision that the President would exercise his functions with the aid and advice of the Council of Ministers, headed by the Prime Minister.

The two letters dealt with these delicate issues in the explosive context provided by the current speculation on the possibility of the President taking a drastic step like the dismissal of the Rajiv Government on the plea of violation of the Constitution.

Disclaimed: The President's aides, however, disclaimed that Mr. Zail Singh had, at any stage, thought of adopting an unconstitutional course like removing the Prime Minister who enjoyed the support of the majority in the Lok Sabha or destabilising the system.

Neither the President nor the Prime Minister was here during the day—the former is touring Gujarat and Maharashtra and the latter is in South.

The Prime Minister returned at night but the President is due only tomorrow night.

PTI reports:

Sources close to Rashtrapati Bhavan today said it was wrong to interpret the exercise of the President's constitutional right to call for information from the Government as a controversy between head of the State and head of the Government.

Referring to reports in a section of press that the President had demanded details of the Bofors deal from the Prime Minister, the sources said that even if the Defence Minister had briefed the President on any Defence matter, the latter, as the Supreme Commander of the Armed Forces, could ask for more details. There was absolutely no question of accusing, embarrassing or opening a front against any one, they said.

GANDHI ADDRESS AT SALEM MAY DAY RALLY REPORTED

Constitution, Sri Lanka

Madras THE HINDU in English 2 May 87 p 1

[Text]

SALEM, May 1.

The Prime Minister, Mr. Rajiv Gandhi, today declared that attempts to subvert the Constitution would be scotched. Addressing a May Day rally at the Gandhi stadium he said that new types of pressures were being put on the country, because it was doing extremely well on the economic and other fronts.

The pressures were perhaps intended, Mr. Gandhi said, to hold the country back, slowing down the progress, "to prevent us from taking a strong position we have been taking in the last two years". "Suddenly, we find that wild allegations, baseless and unsubstantiated, are being made against the people in high places, in an attempt to destabilise our system".

'Guilty will not be spared': The Prime Minister said that wherever corruption was found, his Government would not be found wanting in action no matter how high or well connected an individual is. The action will be quick and hard and as per the law of the land. But the law of the land must be followed. Action must take place only after evidence was produced after some proof was available. "We cannot allow the country to be destabilised by 'kangaroo courts' and unfounded accusations," he said.

Reference to Tamil classic: In support of this, he quoted the Tamil classic, Silappathikaram, which, he pointed out, had clearly brought out that gravest injustice would be done when justice was based on rumour. Its heroine, Kannagi's anger was the result of a judgment given on the basis of a rumour and suspicion. "We must not allow that to happen" and allow the nation to be stabilised, he said.

Destabilisation threat: Destabilisation, he said, was sought to be brought about by casting unfounded doubts on the Government's integrity, by attempting to stage a coup against the elected representatives, undermining the country's defence and attempting to deprive our defence forces of crucial modern equipment. It was also sought to be achieved by ma-

ligning the defence forces, by trying to raise religious tension, communalism and fanaticism and by misrepresenting economic policies, the Prime Minister said.

The parliamentary democracy in the country and the Constitution had been under threat by vested interests and the forces of *status quo* that "are trying to rob you, the people of India, of your rights, they want to deprive you of your voice", he said.

New interpretations: Under the Constitution, Mr. Gandhi said, no one was above Parliament. All who held office, high or low, were the creatures of the Constitution. The Government was responsible directly to Parliament and to the electorate, the people of India. "It is not responsible to anybody else". His Government, he said, would answer to the people of India and to no one else. New interpretations of the Constitution were sought to be made. There were methods of interpreting the Constitution. "It has functioned without any problem for 37 years. Suddenly, individuals have sought to give new interpretations for personal or individual gains. We cannot and we will not allow our Constitution to be subverted for personal gain," the Prime Minister declared.

Perils of wrong interpretation: New interpretations, he said, could not be made by newspaper men, by individuals, however learned or high in position. There were forums and methods for interpretation and the traditional methods must be used. "We have seen other countries being destroyed, democracies crumbling and the military coming to power when constitutions were wrongly interpreted. In some countries very close to us. We will not allow that to happen in India. We will not allow anyone to subvert our Constitution and destroy our democracy," Mr. Gandhi said.

Sri Lanka violence condemned: The Prime Minister called upon the Sri Lankan Government and the militants to shun violence and come to the negotiating table.

He said violence would not yield peace or

solutions to problems, but only generate counter-violence. Unfortunately, in Sri Lanka, violence had led to more violence. Innocent people had been killed and their property destroyed for no fault of theirs."

Violence no solution: In recent weeks, innocent civilians had lost their lives while travelling by bus or waiting at the bus stands. The civilians had been bombed from the air and blasted by artillery. No solution based on violence could be found, no solution based on violence could last. "What we need are negotiations and a will to settle, to bring peace and harmony"—what is essential is that there should be no derogation of Sri Lanka's unity or integrity and we must get equal honour and

secure place for all whatever their language and their religion.

Need for dialogue: Mr. Gandhi said that the Sri Lankan Government, in the last two years, had come a long way. In December 1984, their position was one of intransigence and it rejected outright the Tamils' demand. In December 1986, they had given a set of proposals which could form a viable basis for a solution. But it required sitting across the table for sorting out the problem.

Appealing to all concerned to shun senseless violence in which thousands of people in Sri Lanka were killed, he wanted them to come to the negotiating table. This was the only way to stop the loss of innocent Tamil lives, he said.

Other Topics

Madras THE HINDU in English 2 May 87 p 9

[Text]

SALEM, May 1.

"Work for all" will be the thrust area in which the Union Government will concentrate in the coming years, said the Prime Minister, Mr. Rajiv Gandhi, here today.

Addressing a mammoth May Day rally here, he said, "bekari hatao" will be our venture to eradicate unemployment.

It was as if the whole of Salem Town had converged at the stadium to listen to the Prime Minister, who grabbed the opportunity to explain to the people the achievements of the Government in the last two years and the efforts by "vested interests" to subvert the Constitution and destabilise the nation". A massive cutout of Mr. Rajiv Gandhi put up at the stadium dwarfed the beautiful Salem hills behind.

Working people's cause: The Congress, the Prime Minister said, had always stood for the working people of India and the oppressed and the poor, whether it was in the countryside or in the industries. It was only the Congress which reached out to the workers and fought for their rights. Socialism pursued by the Congress, he said, aimed at removing poverty and ensuring justice to the working people in the urban industrial labour and rural workers.

Productivity and employment: Mr. Gandhi said that the plan goals hitherto had been 'food, work and productivity.' "we have concentrated in these two years on improving productivity and made substantial progress, a new direction and thrust had been given," now that the focus would shift to work for removing unemployment.

Productivity and work had been linked because when there could be more job opportuni-

ties only if there is higher productivity. In the last two years, the Prime Minister said, some major legislations had been brought forward on the labour front, in particular, elimination of child labour was one such. While the ideal was that a child should not be allowed to work, there were practical difficulties and hence a balance had to be struck between the ideal and the realities. While protecting the children from being employed in hazardous industries, they should be provided education and training, health care and proper nutrition. It must be ensured that the legislations of the past two years were properly implemented.

Economic independence: Referring to self-sufficiency and self-reliance the country had achieved in certain areas, the Prime Minister said that vested interests in the world "do not like India to become self-reliant. We will not and cannot allow our country to be mortgaged to multinationals and those who seek to suppress us." The workers of India should strive hard and win economic independence, he said.

Commitment to public sector: The vision of Pandit Nehru, he said, had given India the public sector. "We have redoubled our commitment to Panditji's goals. In the last two years, the total investment in the public sector was over Rs. 50,000 crores from Rs. 37,000 crores in the last 37 years." In two years, we have increased the investment of 37 years by one and a half times. Some of the public sector units had been working extremely well and improved their efficiency to that of units elsewhere in the world and in the private sector. The public sector units should work with greater vigour in new areas of technology and provide a lead in training persons in new frontiers

that had opened up in the last few years.

Industrial relations: The Government, he said, had done a lot to improve the condition of the working class. He cited the new stipulation of penal action by way of a tax on employers who failed to remit provident fund collections. The industrial relations in 1986, he said, had been very good. There had been a significant fall in the mandays lost in 1986 and in the number of industrial disputes. The Prime Minister congratulated the workers for better industrial relations which had contributed to industrial advancement.

The Bhopal gas tragedy, he said, had opened up the issue of safety of workers. "We are going into the amendments that may be needed to the Factories Act".

First stone for overbridge: The Prime Minister also laid the foundation stone for a railway overbridge on the Salem-Omalur road near the district headquarters hospital. Mr. S. Muthusami, Tamil Nadu Transport Minister, welcoming the Prime Minister on behalf of the Chief Minister, Mr. M. G. Ramachandran, said that the Centre and the State would equally share the cost of Rs. 2 crores for the construction of the bridge.

Mr. G. Ramanujam, INTUC president, which had organised the rally in association with the TNCC(I), said that sick mills should not be allowed to die.

Mr. M. Palaniyandi, TNCC(I) president and Mr. K. Ramamurthi, MP, Secretary, INTUC, welcomed the Prime Minister. Mr. Rangarajan Kumaramangalam and Mr. Sivaji Ganesan, MPs, assured the Prime Minister that the people would always be by his side and support him.

/9274

CSO: 4600/1714

REPORT ON GANDHI 1 MAY SPEECH AT NEWSPAPER CENTENARY

Bombay THE TIMES OF INDIA in English 2 May 87 p 9

[Text]

KOTTAYAM, May 1 (UNI):

THE Prime Minister, Mr Rajiv Gandhi, today urged the press to collectively work out a code of ethics and ensure its strict observance.

Delivering the valedictory address at the function held in connection with the centenary celebrations of the "Deepika" news paper here, he decried the tendency of a section of the press to put aside all journalistic norms to "get their quarries".

He said though by and large the press in the country was alive to its responsibilities, a disturbing factor noticed today was that a section of the press was disregarding truth for personal gains or positions. Aspersions were being cast without any basis in an attempt to "stage a coup against the elected government". Communalism and fundamentalism were being encouraged and economic policies misrepresented.

This was "not in the interest of the country, the journalistic fraternity or even the journal or paper". These disturbing trends should be corrected not by an outsider but by the press itself, Mr Gandhi said.

Mr Gandhi alleged that a section of the press was making a direct attack on parliamentary democracy and the Con-

stitution. All who held office in the government were creatures of the Constitution but the interpretation of the statute could not be made by individuals, however learned they might be, he said.

Mr Gandhi, however, conceded that the press, being the watchdog of the people's rights and the interests of the nation, was a crucial pillar of the democratic system. It was the leader giving directions to social and economic changes.

The freedom of the press was equivalent to freedom of speech and opinion and it must be strengthened and preserved. But the freedom must be seen as a great responsibility on the fourth estate because an irresponsible press weakened the state.

Paying glowing tributes to the language press in the country, Mr Gandhi said it was the 'indigenous press' that had projected the leaders in the correct perspective during the freedom struggle.

He expressed happiness that "Deepika" had, in its 100-year history, lived up to its name by being the "torch-bearer," in many a political and social struggle.

Mr Gandhi said the press during the freedom struggle had been guided by men of vision who saw that the need of the future was to build up a strong and

united India. "That is the spirit we have to revive now", he said. He appealed to all people to co-operate in building up a strong India without giving up the traditional values.

DROUGHT RELIEF: The Prime Minister announced an immediate assistance of Rs. 10 crores for drought-hit Kerala and allayed fears that the state would be neglected by the Centre following the change of government.

He said a Central team had visited the state to assess the extent of damage caused by the drought and officials from Kerala were currently in Delhi for talks with Central officials. Pending a final decision the Centre would immediately release Rs. 10 crores for drought relief works in the state.

Earlier, the chief minister, Mr E. K. Nayanar had, in his keynote address, drawn the Prime Minister's attention to the severe drought in the state which had resulted in a crop damage of about Rs. 1,000 crores and expressed the hope that the latter would make an announcement on Central assistance before leaving the state.

Mr Gandhi said all the schemes and projects envisaged in the Rs. 415-crore package assistance he had announced early this year after talks with leaders of the previous government would be fully implemented. "We will continue to implement them under the new government," he added.

/9274

CSO, 4600/1710

BHARATIYA JANATA ADVOCATES MIDTERM ELECTIONS

Bombay THE TIMES OF INDIA in English 2 May 87 p 1

[Text]

NEW DELHI, May 1

THE Bharatiya Janata Party wants a mid-term poll if the Prime Minister, Mr Rajiv Gandhi, does not resign on the issue of probity in public life, considering the multiple allegations of scandal rocking his government.

The party has already decided to initiate a 'Rajiv must go' campaign which commences tomorrow.

Mr K. L. Sharma, BJP general secretary, said it was time the Prime Minister resigned as he had forfeited the moral right to continue in office. Failing this, he should go to the country and seek a fresh mandate.

But Mr Sharma said his party would be opposed to the dismissal of the elected Prime Minister, with a clear majority in Parliament, by the presi-

dent.

Responding to questions on why his party had not so far commented on reports from diverse quarters that the President was being advised by some constitutional experts that he had the right to dismiss the government, merely said, "In the interest of the nation we would like the very strained relationship between the President and the Prime Minister to get sorted out."

So far the BJP has not given any firm thought to the issue of candidature for the presidency.

The party would discuss the matter next Saturday when its legislators gather from all over the country to present a memorandum against government to the President.

Its leadership in Parliament have till now only had informal and cursory talks with other opposition leaders on the presidential election, he said.

So far the BJP has not received an

invitation from Mr N. T. Rama Rao, the Andhra Pradesh chief minister, to attend the meeting of opposition parties he is hosting in the next few days. And on its own, the party would not contact the organisers.

The problem of the opposition was not of unity, but of credibility, said Mr Sharma, drawing attention to a formulation made by the party some time ago.

Mr Sharma said when Dr Farooq Abdullah, the prime mover of the conclave, politics three years ago, joined hands with the Prime Minister, the credibility of all his erstwhile conclave partners suffered.

Asked why some parties, especially the two Communist parties, made any opposition grouping conditional on the BJP not participating, Mr Sharma said this was because they were not clear of their national perspective and position.

/9274

CSO: 4600/1710

CONTINUING REPORTAGE ON SWEDISH BOFORS DEAL

'Insight' Questions Denial

Calcutta THE STATESMAN in English 27 Apr 87 pp 1, 9

[Text]

WITHIN hours of the publication of the Insight report "Not going great but payola for the big guns" about the Swedish 155 mm gun, the Bofors FH-77 B, the Defence Ministry issued a categorical denial.

The Defence Ministry rejoinder made three points, the first of which was that the Swedish 155 mm gun was not tried during Operation Brass Tacks, as claimed by Insight. The Ministry really did not have the option of saying anything else because on March 5, the Chief of Army Staff, General K. Sundarji, had told a visiting Press party in Bikaner that only blanks had been used in the exercise.

The first lot of Swedish 155 mm guns reached India last autumn. Straightway, they were incorporated into the artillery's modernization and expansion plan to achieve "first salvo effectiveness". There was no question of deployment of these guns since only six had reached India and could not possibly be handed over to artillery units. But they were put to use in trials.

The trials of the 155 mm gun took place in the Pokharan area of the Rajasthan desert in January and February this year. Operation Bramsticks was in the same sector. Many artillerymen have told Insight that the Rajasthan desert is the best place for long range firing trials and that the Swedish howitzer was taken there for this specific reason.

Besides, as General Sundarji had stated, Bramsticks began in mid-1986 and went on till March this year.

The Congress (S) member of

Parliament, Mr K. P. Unnikrishnan, participating in a discussion on grants for the Defence Ministry, said on April 24: "There was a general staff requirement (for the 155 mm gun) which required a firing range of 30,000 metres or 30 km. Is it not a fact that it was found even in the trials at Pokharan and Babina that it fired only up to 18 km and the maximum achieved was 21 km?"

Mr Unnikrishnan went even further. He said: "They (Bofors) have, I am told, blamed our own technical incompetence in dealing with this equipment. Here, some questions arise. The first question is that it is a serious problem in relation to its breech block and capering of the bore leading to its non-performance. In effect, it means that the charge will leak and will not give the required range. Is it that it did not perform because of the inherent defect of the system or because of our incompetence? Parliament and the public are entitled to know. That means, the system is rendered ineffective."

The Defence Minister, Mr K. C. Pant, and his two Ministers of State, Mr Arun Singh and Mr Shivraj Patil, were present in the House when this statement was made but chose not to contradict Mr Unnikrishnan.

Secondly, the Defence Ministry claimed that "the maximum confirmed range of the howitzer is up to 30 km, dependent upon the projectile and charge. It was stated that "both Army headquarters and the Ministry of Defence are satisfied with performances specified and achieved."

BELGIAN AMMUNITION

When the Bofors gun was evaluated along with competitors from France, U.K. and Austria, it used ammunition manufactured by a Belgian firm, P.R.B., with which Bofors had an agreement for the supply of both normal and extended range ammunition.

But while the deal was being negotiated, the Defence Ministry made it clear to competing parties that it would only go in for a "package deal", that is one in which the same firm supplied guns and ammunition. Bofors then decided to develop its own ammunition for the 155 mm gun.

When the FH-77 B was tried with P.R.B. ammunition, it is learnt to have shown a range of 32 km, well above the prescribed requirement. But several facts suggested that the gun was never tried with Bofors' extended range ammunition before the contract was signed.

The deal signed with Bofors also covered the supply of 500,000 rounds of ammunition, of which nearly 80% were required to be of the extended range (24 to 30 km) variety. In September 1986, when the first supplies were beginning, the Defence Ministry is learnt to have contacted Bofors and asked the Swedish firm to bring forward its delivery schedule for extended range ammunition from July, 1987 to January.

SAMPLE ROUNDS

Bofors is learnt to have stated that this was not possible and only sent a few sample rounds of extended range ammunition with the guns be-

cause it was still developing the ammunition.

Hence, the Defence Ministry's claim that the maximum confirmed range of the howitzer is up to 39 km, "dependent upon the projectile and charge" proves nothing. How could Bofors have used its own ammunition during trials conducted in 1984 and 1985 when, in late 1986, it claimed it was still developing it?

It was the sample rounds sent by Bofors which were used in trials early this year. And they fell short of the prescribed range. In other words, the Government tested the Bofors gun with P.R.B. ammunition (the base-bleed technology used by the Belgians is recognized all over the world) but signed a contract with the Swedish firm for an ammunition package that was still to be developed.

The third, and final, point made by the Defence Ministry was that "the team of Indian experts who visited Sweden recently did so in connexion with indigenous production project and transfer of technology."

This assertion can be disproved in several ways but the best would be to see what the spokesmen of Bofors and its parent company, Nobel Indus-

tries, have to say. Contacted in New Delhi by Insight, the Bofors representative refused to comment. But in an interview to The Hindu's Stockholm correspondent, published on April 21, representatives of the two companies said that very preliminary discussions had taken place about the possibility of coproduction but details for this had not been discussed. The representatives said, "We have heard that discussions have taken place in India about possible locations for this type of industry."

The Indian team led by Mr Bhandarkar left for Sweden on March 9, six weeks before this statement was made to The Hindu. The team included Major-General H. Lal, Director of Inspection (Armaments), and Mr U. Thomas, Joint General Manager of the Ordnance Factory, Ambajari. The team was in Sweden for about a fortnight and, according to the Defence Ministry, went in connexion with the indigenous production project and transfer of technology.

It was strange, therefore, that Bofors and Nobel Industries should have said only last week that no details about coproduction had been discussed.

So what were Mr Bhandarkar and his team doing in Sweden for a fortnight? That the visit

was aired primarily at discussing the shortfall in range of the Bofors gun and the quality of ammunition supplied by the Swedish company is clear from the fact that the Joint General Manager of the Ambajari Ordnance Factory was part of the team. Only ammunition is manufactured at this factory and there seems no way in which Mr Thomas could otherwise have been involved in the discussions.

The high-level team was sent to Sweden on orders of the former Defence Minister, Mr V. P. Singh and it is a fact that Mr Singh, after hearing disquieting reports about the performance of the Bofors gun, had called for the file relating to the deal.

And, finally, in the prevailing atmosphere, when allegations about destabilization and threats to national security are bandied about rather freely, it is pertinent to note that a leading Swedish newspaper, *Expressen*, reported on April 2, 1986 that Bofors was training Pakistani military officers in its Karlskoga factory at the same time that the Indian order was being assembled. Significantly, *Expressen* claimed to have contacted Bofors about this but the company was not willing to comment.

Sweden Orders Probe

Madras THE HINDU in English 30 Apr 87 p 1

[Text]

STOCKHOLM, April 29.

The Swedish Government took a decision at a Cabinet meeting here on Wednesday to instruct the National Audit Bureau to conduct "an audit of transactions connected with the Bofors India contract" immediately—with the results to be "disclosed" before the end of May.

Addressing a crowded press conference at her Ministry's office at No. 8, Fredsgatan in this elegant Scandinavian capital, Ms. Anita Gradin, Minister for Foreign Trade, made it clear, in response to specific questions, the Swedish Government's position that the late Prime Minister Olof Palme had merely conveyed assurances from Bofors to the Indian Prime Minister, Mr. Rajiv Gandhi, and "there were no assurances on behalf of the Swedish Government."

Asked by THE HINDU about Mr. Rajiv Gandhi's statement in the Indian Parliament on Tuesday that "I would like to reconfirm that the Swedish Government has told us recently—about a week or ten days ago, before the debate in the House—that there are no middlemen, as confirmed by Olof Palme to me, and

that Bofors has reconfirmed this to them". Ms. Gradin responded: "We have not reconfirmed it last week."

The Swedish Government's move announced today, in the face of the relentless media pressure to get to the facts of the Bofors deal, has appeared to create a breathing space for the Indian Government. Slow off the mark, the Swedish Government has also given itself time—while adopting the posture that the Government role during the Palme period had

been merely to convey the private company's assurances to the Indian Government not to provide any official assurances or guarantees.

Commercial transaction: Responding to journalists' questions about the nature of the talks between Olof Palme and Mr. Gandhi in 1985-86, Ms. Gradin noted that the Bofors-India howitzer deal was "a commercial transaction" between the Government of India and a private Swedish company and she maintained that Palme had only "conveyed" the assurances from Bofors.

Asked whether there was any record of the conversations between the two Prime Ministers, she said there may have been a "memo", although she personally was unaware of it. And if it existed, she could not see that it could be released.

(According to the 12:30 Swedish radio news broadcast, the Prime Minister, Mr. Ingvar Carlsson, told the radio that if there was a memo of the conversations, he did not believe it could be released. He also told the radio that the Swedish Government could not be responsible for the deal.)

Oral information: Asked by THE HINDU whether Bofors had contacted the Swedish Government last week, Ms. Gradin revealed that the Government had received "oral information" from the company. Bofors said it had dealt with the clarifications (handed over to the Indian Ambassador in Stockholm) and there had been "no middlemen."

Asked, also by this correspondent, whether Bofors had clarified that there had been no middlemen for the whole period of the howitzer deal with India, Ms. Gradin, who looked puzzled for a moment, responded: "I think that is

what they meant."

There were two more questions from THE HINDU in this press conference attended by Swedish and foreign journalists:

Q: What does it mean for Indo-Swedish relations?

A: I sincerely hope this does not harm our relations.

Q: Are you looking at the whole matter of the arms trade?

A: We are looking through the whole law in this and there will be changes, particularly on the control side.

Fiftythree-year-old Ms. Anita Gradin is a senior Social Democratic politician who has been in Parliament since 1968. She is the vice-president of the Federation of Social Democratic Women, president of the Socialist International Women and one of the vice-presidents of the Socialist International. She has been a member of the Council of Europe at Strasbourg and was Minister for Migration and Equality between Women and Men between 1982 and 1986.

The Swedish Ministry of Foreign Affairs has three Ministers—one for Foreign Affairs, one for Development Aid and one for Foreign Trade. Ms. Gradin has held her post from October 10, 1986. The Minister of Foreign Trade at the time of the signing of the Bofors deal was Mr. Mats Hellstrom, currently Minister for Agriculture.

The latest development lends urgency to the demand in India that the memorandum of clarifications handed over in Stockholm by Bofors to the Indian Ambassador on April 24 should be placed before Parliament or made public.

/9274

CSO: 4600/1699

PAPERS GIVE DETAILS OF SUCCESSFUL GUIDED MISSILE TEST

Calcutta THE STATESMAN in English 30 Apr 87 pp 1, 9

[Text]

NEW DELHI, April 29.—An indigenously-developed guided missile has been successfully test-launched, the Minister of State for Defence, Mr Arun Singh, announced in the Rajya Sabha this evening. It was a low-level, quick reaction, surface-to-air weapon system.

Another 30 or 40 tests would be conducted before production of the missile began, and the Minister added that work on other guided missiles was showing equally encouraging progress.

There was a ring of excitement in the Minister's voice when he said he was announcing the successful launch for the first time—which drew cheers from all sections of the House.

Intervening in the discussion on the working of the Defence Ministry, Mr Arun Singh had much to say on the progress of research and development in the field of defence. Two other projects were successful as well—the Main Battle Tank and the Light Combat Aircraft.

The MBT project covered an extremely wide range of complex technologies and just four or five nations in the world had embarked upon such a project. So far six proto-types had been subjected to trials and it was hoped that production would commence by the end of the decade.

A tank must be a powerful vehicle, capable of both fighting and defending itself. "We have been very successful in some areas—not so successful in others." The achievements related to the gun, armour track and suspension.

The engine was not that successful. The tank required a 1,500 H.P. power plant, which must generate 500 H.P. at its first stage, and that is where the difficulty had to be rectified.

Rather than wait for the engine to be developed and suspend the rest of the project, it had been decided to work on two lines. One using an imported engine, the

other with the indigenous power plant, so that finally the MBT emerged.

"If we fall with the indigenous engine we will use an imported one, we will not supply the Army a second class engine on a first class tank, only because it is indigenous."

The power plant seemed to be the initial problem with the LCA too. There was a good locally-developed gas turbine, but not good enough for the LCA which was being planned as a truly contemporary aircraft, using the technologies which would still be in vogue at the turn of the century.

Work on the development of a GTC by-pass variant was in progress, but as in the case of the MBT, rather than stall the rest of the project 11 GE B-404 engines had been ordered from the USA—One for the test-bench and 10 for the proto-types.

The Minister assured the House that in regard to both the MBT and the LCA, work on the indigenous engine would not be abandoned prematurely only because foreign engines were available. India was not the only country faced with such a problem. Even France was using the GE F-104 engines for proto-types of medium-combat aircraft, while work on its own engine was continuing.

Among the other achievements of indigenous research was ammunition for anti-tank use, "which we consider the best in the world", sonar, torpedos and sea-mines for the Navy, low-level radar to detect enemy aircraft, and a communication system for the Army which just a handful of other nations possessed. That was Plan Arun (Army radio engineered network) that provided reliable and secure voice, telex, and computer links from the battle-station to the command headquarters.

Mr Arun Singh said production of items developed within the country was valued at Rs 1,500 crores last year, and the production value

was generally three times more than the investment in R and D. The decision to start producing the low-level radar had meant orders worth Rs 450 crores on Bharat Electronics.

A 15-year perspective plan had been drawn up for defence research, and the Minister explained that there was a three-tier structure.

At the top of the structure was the Defence Research and Development Organization which had 45 laboratories and over 14,000 scientists and technical personnel at work. Mr Arun Singh said a wide range of research was being conducted, some pure science, others related to seemingly simple items like clothing and food.

No other country had its troops permanently stationed at high altitudes, so clothing and shelter were things which had to be worked on from scratch. The DRDO also ran some agricultural extension operations in the hills, helping local farmers to produce fruit and vegetables for the troops. By doing so a contribution was made to the local economy rather than act as a drain on it.

Mr Arun Singh also mentioned the AWAC project—the forerunner of developing an airborne warning and command station. He made it clear that it might take 25 years to come up with a genuine AWAC—in fact there was only one such aircraft in the world today—the Boeing E 3 A “Sentry”.

This year the allocation for R and D was Rs 650 crores, nine times more than in 1980. That was just 5.2% of the Defence Budget, and he agreed that it should rise to 12%, but spending money was not everything. The organization had to develop the structures to

absorb that kind of investment.

It had been realized that while money was not a constraint, human resources were limited. So the DRDO was working with IITs and universities to try and create the skills needed. A 15-year manpower perspective plan had been prepared. Even now some universities had been involved with projects, with excellent results.

Serious concern was expressed in the Rajya Sabha today over the possibility of the USA leasing to Pakistan its AWACS. It was now clear that the USA was arming Pakistan in a bid to contain India, several members felt, when discussing the working of the Defence Ministry.

Demands were made for India to review its policy on nuclear weapons, and members maintained that the people would be prepared for any sacrifice that might be necessary to make funds available for the development of nuclear weapons.

Pleas were also made for giving Defence service personnel the best possible facilities and emoluments, and to improve welfare measures for ex-servicemen. A number of members maintained that the Centre should assume responsibility for ex-servicemen, not leave it to the States.

While all sections of the House paid tribute to the officers and men of the armed forces, some Opposition members referred to recent controversial Defence deals and reiterated their demand for parliamentary probes. It was in the national interest to clear the air of suspicion, they said.

The debate was inconclusive, and the Defence Minister, Mr K. C. Pant, will reply tomorrow.

/9274

CSO: 4600/1705

'INSIGHT' REPORTS MYSTERIOUS DEATH IN TORPEDO TRIALS

Calcutta THE STATESMAN in English 1 May 87 pp 1, 9

[Text]

L'AFFAIRE submarine has surfaced again. Torpedo firing trials of the vessels, which were purchased by the Indian Navy from West Germany, were held in the Arabian Sea off Bombay last Thursday, April 23. The trials are reported to have failed, with the torpedoes not having performed to specifications.

The trials were held against the tragic backdrop of a reported suicide by a young and outstanding naval officer, Commander Naveen Chopra, who was to have assumed command of one of the submarines. Commander Chopra's body was discovered in his room in Bombay on April 18.

Intelligence agencies are investigating reports of the young officer having been compromised while training in West Germany last year and the bearing such an event could have had on the death. This inquiry, 'Insight' learns, follows a communication from the Commander-in-Chief of the Western Naval Command, Vice-Admiral S. Jain, to the Chief of Naval Staff, Admiral R. H. Tahilani.

Vice-Admiral Jain is learnt to have informed Naval Headquarters of reports that Commander Chopra, a 25-year-old bachelor, had been involved in an affair with a West German girl when he was based at Kiel for training on the new submarines. She "possibly" worked for the firm that manufactured the submarines.

The need to investigate the officer's possible involvement has arisen because Commander Chopra was to have commanded one of the new submarines and would, thus, have played a vital role in the trials.

The outcome of the trials itself has assumed significance because the torpedoes were learnt to have malfunctioned in Germany, too. The submarines had, however, been brought to India because the

Defence Ministry felt they could be tried again in Indian waters before the matter was taken up with the German manufacturer.

The Navy was vague and non-committal when asked about these details. The Chief Public Relations Officer of the Ministry of Defence in Bombay, Commander K. P. Jani, told 'Insight' that the outcome of the trials was a "classified matter". Regarding communications from the Western Naval Command to Naval Headquarters after Commander Chopra's death, the naval spokesman said that Admiral Jain "doesn't seem to have communicated anything to Delhi".

The purchase of submarines from the Howaldtswerke Deutsche Werft had been decided in June 1980 but the contract was signed with the West German firm in December 1981. An inquiry into reports of a commission of Rs 30 crores having been paid in the deal had led, among other things, to the resignation of the Defence Minister, Mr V. P. Singh, earlier this month.

It is now learnt that the delivery of two submarines late last year had led to considerable confusion in the Defence Ministry. Naval officers, who were in Kiel for training and were to bring the vessels to India, were reluctant to take delivery till faults in the torpedoes could be sorted out, it is learnt.

At that stage, a senior naval officer had visited Kiel to evaluate the position on instructions from the Defence Secretary, Mr S. K. Bhatnagar. Finally, it was decided that the problem could be valued, and possibly solved, in India without delaying delivery at Kiel. The Defence Ministry reportedly took the view that the submarines be brought to India as quickly as possible because nearly 85% of the contracted price had already been paid.

It was thus that the Navy was keen to conduct early trials of the torpedoes. The trials, it is

learnt, were fixed originally for April 15 but were postponed because of technical reasons. It was between the original trial date and the postponed one that Commander Chopra died.

The death of the officer is shrouded in mystery. The Navy, on its part, issued a bland news communique on April 21, which said: "Commander Naveen Chopra, a bachelor officer of the Indian Navy died of a bullet injury at Bombay on Saturday, April 18. The police and naval authorities are investigating. The body was cremated at Chandanwadi on Monday, April 20. The next of kin were present".

Inquiries from the Bombay police brought forth several additional facts. Commander Chopra was staying in Room 621 of the bachelor officers' flats in Navy Nagar, Bombay. On April 16, he told the messboy in the complex to bring his tea at 6.30 a.m. on April 18—the order was given more than a day in advance because April 17 was a holiday.

The messboy knocked at Commander Chopra's door early on April 18. Not having got a response he went away to deliver other orders. On returning at about 7 a.m., he found there was still no response to his knocking. He then entered the officer's bedroom via the balcony of the next door flat.

The messboy found Commander Chopra dead, with a gunshot wound in his head, and immediately informed Lieutenant Jagannath, the occupant of Flat 620. While the naval police and authorities were summoned immediately, it was 9.30 a.m. when the Colaba police station was informed of the matter. The police reached the flat at about 10 a.m.

The police were given a suicide note which was dated April 17. In the note, Commander Chopra reportedly wrote that he had been greatly enamoured of Western life and culture and that, if reborn, he wished to be a Western-

er. His signature and handwriting were identified by relatives.

Police officers in Bombay told insight that the possibility of other papers, which could have explained the officer's depression, having been removed by his colleagues to spare embarrassment could not be ruled out. "After all", said one officer, "the police were informed two-and-a-half hours later".

Submariners who had trained with Commander Chopra in Kiel were initially reluctant to talk but later said that the officer had been "madly in love" with a German girl. "We didn't know her, but she possibly worked for HDW", one of the officers said. Commander Chopra, his colleagues said, used to spend most of his free time with her.

The Navy has put a lid on the matter. And even though the questions put to its spokesman were specific and detailed, the replies were evasive.

Insight contacted Vice-Admiral Jain's office but was told that all queries be addressed through Commander Jani. The Commander was then asked if Vice-Admiral Jain had, in a communication to the Chief of Naval Staff, mentioned the possibility of the officer having been compromised and whether the reports of a German girl being involved had been raised.

The spokesman gave the following reply: "The C-in-C doesn't seem to have communicated anything to Delhi. In any case, the C-in-C feels that no such communication can be made while the board of inquiry has been constituted under the Navy Act, 1957, as the matter would be prejudiced".

The Navy was then asked if torpedo firing trials held off Bombay on April 23 had failed and whether Commander Chopra was to have played a crucial role in the trials. To this, the spokesman said: "This is a classified matter and so it would not be possible for us to comment."

/9274

CSO: 4600/1708

RAJYA SABHA DISCUSSES WORKINGS OF DEFENSE MINISTRY

Bombay THE TIMES OF INDIA in English 1 May 87 p 1

[Text]

NEW DELHI, April 30.

THE defence minister, Mr K. C. Pant, declared in the Rajya Sabha today that India would not hesitate from taking any step necessary to counter the threat posed by the US decision to lease Airborne Warning And Control System (AWACS) to Pakistan.

Describing the deployment in the sub-continent of sophisticated AWACS, operated by a foreign crew, as the most disturbing development, Mr Pant said India would not be found wanting in effort.

Replying to the debate on the working of the defence ministry, he said Pakistan should consider the implications of a foreign crew operating AWACS in their country.

He discounted the plea that Pakistan needed AWACS for its protection against Afghan raids.

He said that the geographical situation between the two countries was such that ground radars were adequate for the surveillance of air space.

On the other hand, past experience showed that Pakistan never hesitated from using any kind of weapon against India.

AWACS was not a simple surveillance aircraft but was a complete weapons system to hit the desired target.

The latest \$1.7 billion US military aid for Pakistan was too formidable a package to be ignored by India. "We have to take adequate measures so that we are not caught unawares or placed in a disadvantageous position," Mr Pant asserted.

The defence minister maintained that Pakistan was a frontline state in the US strategic perceptions. The flow of US arms to that country was meant to modernise its armed forces, notwithstanding its efforts to acquire nuclear weapon capability.

THE AXIS

The US-China-Pakistan axis had become more pronounced last year, he pointed out and said India wanted

normalisation of relations with both China and Pakistan.

Describing the Chinese intrusion into the Indian territory and its stand on the grant of statehood to Arunachal Pradesh as "avoidable irritants", Mr Pant hoped that negotiations with China would bear fruit.

He also expressed concern at the growing super power presence in the Indian Ocean. There were around 100 warships in this ocean now, against only 12 in 1975. India wanted this to be reduced.

Justifying the allocation of over Rs. 12,000 crores to defence in the current year's budget, Mr Pant said greater emphasis was laid on modernisation and indigenous research and development. However, the technology was advancing so rapidly that imports could not be dispensed with completely.

The modernisation in army related to the operational capability, induction of T-72 tanks and 155 mm field guns, air defence capability of the army and its communications system. The air force and navy were also being modernised.

The training of personnel was receiving greater attention now. Simulators were being imported for use in the training programmes.

He, however, did not commit himself on either way on the demand made by Mr Kailash Pati Mishra (BJP) and Mr J. S. Aurora (Akali) that the persons retiring with the same rank should get the same pension.

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CSO: 4600/1706

FINANCE MINISTRY ISSUES ANNUAL REPORT FOR 1986-87

Calcutta THE TELEGRAPH in English 29 Apr 87 p 8

[Text]

New Delhi, April 28 (PTI): The overall price situation is well within control and 1986-87 will most likely end with an inflation rate of about six per cent.

Expressing this optimism, the annual report of the finance ministry for 1986-87 points out that this is considerably below the average annual price increase of 7.9 per cent over the last decade.

However, the annual rate of inflation in 1985-86 was much lower at 3.8 per cent.

Despite a poor monsoon, the growth rate for gross national product is expected to be 4.5 to five per cent. In 1985-86, the national income growth was 5.1 per cent.

The report said industrial production would be almost the same as in 1985-86, whereas the trade deficit has been reduced significantly.

Available information based on a large number of industries suggests a growth rate of seven to eight per cent in 1986-87. It varied between eight and nine per cent in the previous two years.

The report said the trade deficit from April to December, 1986 showed a decline of 16.1 per cent or Rs 1,000 crores compared to the value attained in the corresponding period in the previous year.

The overall foreign exchange reserves recorded a decline of Rs 160 crores by the end of January, 1987 as against an increase of Rs 577 crores in 1985-86. The foreign exchange reserves position continued to be comfortable with holdings

equivalent to over four month's import requirements.

The growth in overall liquidity in the economy in 1986-87 year has been faster, with an increase of 15.9 per cent in the first 11 months upto February 27, 1987 compared with a rise of 14.8 per cent in the same period of 1985-86. Net RBI credit to the government showed an increase of Rs 6,781 crores compared with a rise of Rs 6,836 crores in the same period of the previous year.

According to the report, the aggregate deposits of scheduled commercial banks increased by Rs 15,527 crores till February 27, 1987, representing a deposit growth rate of 18.2 per cent compared to an increase of Rs 12,640 crores during the corresponding period of 1985-86.

The country received external assistance of about \$4501 million during the year as against \$3879 million in 1985-86. This included \$2400 million from the World Bank group.

During the calendar year, 1986, approvals for bonus issues as well as for fresh share issues and debentures were given in the case of 1188 companies for a total amount of Rs 6356 crores as against 709 companies in 1985 for a total amount of Rs 2,948 crores.

During the year the department of expenditure introduced a system of quarterly budgeting, apart from zero-based budgeting.

Under this system, the budget provision for major projects would be broken into four quarters.

FINANCE MINISTER ADDRESSES ASIAN DEVELOPMENT BANK

Calcutta THE TELEGRAPH in English 29 Apr 87 p 8

[Text]

Osaka, April 28 (PTI): India today urged industrialised countries for a "substantially enhanced" net capital flow to developing countries to maintain and enhance the current low levels of investment and growth.

The Indian finance secretary, Mr S. Venkitaramanan, told the Asian Development Bank's annual meeting here that in an increasingly inter-dependent world in which trade and capital flows are the primary economy links between nations, the declining trend in the net resources flow to developing countries "tended to reinforce the inequitable character of the present economic system."

He, therefore, urged for a renewed commitment to the basic rules of multilateralism so that institutions like the ADB would meet their mandates from the world community to adequately provide for financing of development in less developed nations.

While welcoming the agreement on the size of the IDA-8 replenishment, Mr Venkitaramanan said in the case of India, there was a decline in the flow of concessional assistance and a

stiffening of lending terms. He said India was concerned at the hardening of terms and differentiation in repayment periods for low income countries such as India and China.

The finance secretary said it was a matter of concern that the ADB should increase by less than five percent at a time when the need remained "very large" and called for stepped up lending in real terms.

When the balance of payments comes under pressure in the short run, "an enhanced flow of concessional assistance on favourable terms would be of crucial support and sustain growth-oriented policies, the impact of which would be felt only in the medium term," he said.

He pointed out that the average size of ADB loans was less than \$40 million, which in some cases did not even cover the foreign exchange part of the cost involved in a project, though the bank guidelines would permit a size enough to cover up to 80 per cent of the cost.

"This self-imposed limitation ought to be removed so the bank can play an effective role in promoting projects in social in-

frastructure and industrial sectors whose requirements are large," Mr Venkitaramanan said.

He told the meeting that the long-term resources flow to developing countries declined from \$80 billion in 1980 to \$51 billion in 1985 and the largest reduction occurred in net private flows which fell from \$48 billion to \$21 billion.

During this period, he said, while net official developmental assistance remained static, the net assistance routed through multilateral agencies declined from \$4.4 to 3.8 billion.

Mr Venkitaramanan said he also found it disconcerting that ADB disbursements from ordinary capital resources (OCR) in 1986 should have dropped by 1.3 per cent compared to the year before. This he attributed partly to the resource constraint faced by the developing member countries and suggested simplification of procedures to facilitate a higher pace of disbursement.

The finance secretary, however, welcomed the decision to extend ADB loans without government guarantee in private sector financing.

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CSO: 4600/1696

DAWN SAYS AWACS NO SOLUTION TO AFGHAN RAIDS

BK030539 Karachi DAWN in English 27 May 87 p 7

[Editorial: "Implications of the AWACS Deal"]

[Text] Despite the scepticism aroused by the proposed supply of the AWACS to Pakistan, the Government is pursuing this objective steadfastly. A defence delegation has been in Washington holding talks with American officials and so has Foreign Minister Sahabzada Yaqub Khan, who has described the U.S. response to the Pakistani request as "very favorable". It will be some time before an actual deal is finalized but an air of inevitability already surrounds it. American officials testifying before a congressional panel have said that while a "leasing" arrangement which Pakistan has requested might not be possible, in view of Pakistan's pressing need for an air defence system, other alternatives could be considered. These include lease or sale of radar planes to Pakistan from a third country; immediate transfer of an aircraft to Pakistan from the current production line; regular Pak-American military exercise which could include the use of AWACS to provide radar coverage to Pakistan; and as a temporary measure the stationing of AWACS in Pakistan operated and flown by Americans. This last alternative, which is the most dubious in its implications, has been sweetened by a fancy name, "sale of services", but the meaning behind it is quite transparent. Regular or recurring military exercises or the sale of services are nothing but euphemisms for an American military presence in Pakistan.

Buying or leasing AWACS is complicated enough but to go a step further and allow American Air Force planes to fly surveillance missions along the north-west frontier amounts to giving the Americans a base in this country. To even contemplate such a possibility and, at the same time, talk of safeguarding national independence and sovereignty are mutually contradictory things. All these alternatives portend the strengthening of the American connection and all that such a course necessarily implies. The arms race in this part of the world would intensify as the Soviet Union to the west and India to the east will try to match Pakistan's acquisition of this sophisticated technology. The momentum generated so far for a peaceful settlement of the Afghan war and its attendant crises would receive a setback, for let us not be under the illusion that the Geneva talks on Afghanistan and the supply of AWACS to Pakistan and 'Stingers' and 'Blowpipes'

to the Mujahidin can go together. They cannot. The more we allow the Americans to strengthen their political and military presence in this country, the more our freedom of action vis-a-vis the Afghan conflict will be restricted. This is not to deny the existence of a threat on our north-western border. Pakistan after all has been and is being subjected to air and ground violations from the other side. But unless official circles in this country are to be totally obtuse about the matter, they must surely realize that tension on the Duran Line is not taking place in a vacuum. It is contingent upon Pakistan's involvement in the Afghan war and its readiness to support the Mujahidin. Even if there is truth in the official line that Pakistan is extending no material assistance to the Afghan guerrillas, it is hard not to see that but for Pakistan's acquiescence, the Americans would be hard pressed to sustain the Afghan resistance.

The risk of Afghan retaliation is thus inherent in our Afghan policy. If this much is conceded, it follows that AWACS and F-16s (to pick on two of the prime symbols of this debate) are by themselves no answer to the threat from the west. The solution lies in a political settlement of the conflict next door so that the root cause underlying its continuation is removed. We certainly have a right to defend ourselves (there can be no quarrel with that) but the problem arises when the military option takes precedence over the search for a political solution. That course is fraught with danger; it came to grief in places as distant in space and time as Vietnam and East Pakistan. Whatever the siren-like attraction of the AWACS, it is not a course we should be pursuing now to the exclusion of other more pressing considerations.

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CSO: 4600/240

BRIEFS

PRESS RELEASE ON PESHAWAR ACTIVITIES--A press release issued by the political agent of Khyber Agency said that the administration on 23 May imposed restriction on the use of the Peshawar-Jamrud and Peshawar-Bara Roads by some Afridi tribals. Some tribals and their vehicles have been seized. The press release said that these steps were taken to enforce collective responsibility so as to secure the release of several kidnapped persons. The press release added that some subversive tribals who received money from the Kabul regime are engaged in sabotage activities in Jamrud, Bara and Peshawar in a bid to create an issue of law and order. The authorities took punitive steps to end lawlessness in the area which included demolition of four houses and the arrest of some lawbreaking elements. The press release said that a handful of tribals took money from the Kabul regime and kidnapped more people and resorted to subversive activities. It added that the government views with concern the activities of the criminal and subversive elements which are aimed at committing crimes with political objectives and hurting peaceful citizens in residential areas. The government will take necessary steps to protect the lives and property of peaceful citizens. [Text] [Karachi Domestic Service in Urdu 0200 GMT 28 May 87 BK] /12624

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